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For Dept. ACTION DEPT.	8-2/5/1-3 RY-	7540200
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SUBJECT: Pressure of the M	exican Left on the Admini	stration. FBI 9 MSII

The statements made recently by leading members of the Partido Revolucionario Institucional (PRI) and by high government officials concerning the course and policies of the present Mexican administration have been a source of concern to many, both in Mexico and abroad. This has been especially true in the United States where various groups of the United States. The reaction within Mexico was also widespread, and party and government leaders found it necessary to clarify what was meant by the "judicious left" and the "extreme left within the Constitution."

I In order to appraise properly the meaning of these public utterances by leading party and administration officials, it is necessary to understand the various pressures to which the Government has been O) subjected for some time. Ever since the national electoral campaign of 1958 both the left and the right have been severely attacking and pressuring both the party and the administration. The pressure from 0 the right has not been too effective. (The right in Mexico has been closely identified with the Roman Catholic Church, large landed estates, and rich aristocratic families. These groups opposed the Revolution and its radical doctrine and have advocated gradual evolution in Mexican politics.) It has limited itself mainly to attacking the party and the administration on what it terms PRI's political monopoly, corruption, suppression of the opposition, and what it considers the administration's failure to provide adequate schools for the growing school population. It also assails the administration for Article 3 of the National Constitution which stipulates that education in Mexico shall be the function of the State and that it shall be Tay both in character and content. This Article was intended to restrict the Roman Catholic Church in educational matters.

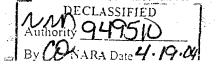
Despite these sustained attacks and criticism, the right opposition has not been successful in making much of an impression on either the dominant party or the administration. Rightist opposition does not have dynamic leadership or a basic program of action which appeals to the growing middle class or to the masses of the population. Besides, rightist opposition has traditionally been associated with

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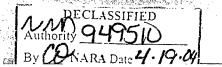
From Mexico, DF

money interests and is constantly being labelled as a backward force in Mexican political life. The administration and the dominant party are sensitive to criticism from whatever source. In December, 1959, President Adolfo LOPEZ Mateos, while visiting Querétaro, did endeavor to mollify the rightist opposition and the Church by stating that there existed in Mexico complete freedom of worship, and that the State was not interfering in the religious activities of the Church.

The present regime and the dominant party have been subjected to a more telling pressure from leftist individuals and groups. (In Mexican terms the left is intimately associated with the doctrine of the Revolution. It means in general, land reform, labor rights, greater national participation in economic development, elimination of the Church from politics and education, and reduction of foreign influences.) This pressure originates with some intellectuals, teachers, students and certain labor groups. Leftist pressure expresses itself in various ways. Leftists criticize officials and the dominant party; they maintain that the Revolution has been subverted; that many leaders carrying the banner of the revolutionary movement are venal and have enriched themselves at the expense of the workers and peasants; that the agrarian reform has not been pushed far enough; also, they hold the United States responsible for the ills that afflict Mexico and other Latin American countries. These radical forces are militant, fairly well organized, and extremely vocal. At the slightest pretext their professional agitators organize demonstrations of protest often accompanied by irrational violence.

Leaders of the dominant party and the administration are committed, at least verbally, to the basic tenets of the Revolution. These tenets are generally leftist in character. Consequently, the authorities, caught in the trap of their own radical pronouncements and in some cases their own radical convictions, are reluctant to adopt severe measures against leftists and their agitators. Only when someone openly and defiantly challenges the authority of the Government do the authorities act with firmmess and expedition. The imprisonment of Demetric VALIEJO and his immediate followers is a case in point. This attitude of tolerance on the part of the authorities has tended to encourage and embolden the left to pursue an aggressive course. It is pertinent to suggest that these dissident groups view former President Lázaro CARDENAS as the symbol of leftist causes in Mexico. Ambassador HTLL is convinced that the most powerful political personality in Mexico today is ex-President Cárdenas. His position and influence become more effective because of President López Mateos' apparent vacillating attitude and at times indecision with respect to national and international matters.

In the past two years, the left has made every effort to compel the administration to pursue a more leftist course than did its predecessor. Many observers claim that former President Cardenas has had a hand in this endeavor, and point to the emphasis which the



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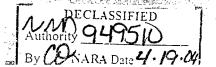
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present administration has placed on the expansion of the agrarian reform. It should be remembered also that Cárdenas and many other prominent Mexican leftists have at various times visited Cuba and have publicly expressed their sympathy for Fidel CASTRO and the Cuban Revolution. All these factors have encouraged the left to become more active and more aggressive and to subject the authorities to tremendous pressure.

This telling pressure from the left on the administration was made evident on the occasion of the visit to Mexico of the President of Cuba, Dr. Osvaldo DORTICOS, in the middle of June. The reporting officer, as well as other officers of the Embassy, was told by various contacts that Mexican Government officials were not too eager to have President Dorticós visit Mexico. The pressure from Cardenas and other leftists, however, was so strong that they had to yield by extending to President Dorticós an official invitation. At least one Minister, Gustavo DIAZ Ordaz, Minister of Gobernación, was reported as being deeply concerned with respect to this visit. He is alleged to have stated that the administration's lavish entertainment was prompted by its desire not to allow the left alone to capitalize on the visit and create grave problems for the authorities.

This may have been the intention of the administration. But in trying, as it allegedly claimed, to mollify the left by taking control of all matters pertaining to the visit, it gave the impression, unwittingly or not, of being the prisoner of the left. No other visiting head of State, in the memory of the reporting officer, has been so lavishly received or treated more cordially. The administration ordered that government employees be dismissed from their regular duties in order that they might go to the airport to receive President Dorticos. This action is rare in Mexico. Advertisements paid by the Government were printed in most major papers calling on all citizens to show President Dorticos the friendship and sympathy of Mexicans for Guba. Much was made of the close ties existing between these two sister republics, and citizens were urged to treat President Dorticos with utmost respect and cordiality. Many public events were officially organized in his honor. It was generally believed that the authorities exceeded all balanced bounds in entertaining President Dorticos. The impression, therefore, was gained by many that the exhuberance displayed by the present Mexican administration in receiving and entertaining President Dorticos was the result of strong pressure from the left, and very especially, from Cardenas.

The leftist pressure on the administration and on the PRI has manifested itself in other ways. There have been persistent rumors in recent months that Cardenas was dissatisfied with the moderate course the dominant party and the administration were following. It has been reported that Cardenas has favored the organization of a socialist party that would endorse a more radical course for the revolutionary movement. Many other leftists have favored this idea



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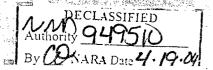
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since they maintain that the PRI no longer represents the basic ideology of the Revolution. According to a number of reports, the rumored organization, a socialist party with Cardenas' endorsement has provoked much concern in the high command of the PRI and the administration.

In order to mollify the left and neutralize the effect of its pressure, PRI and administration leaders have, at least verbally, assumed a leftist posture. Official and party spokesmen have maintained publicly that the course and ideology of the present Mexican regime are leftist in character. The first spokesman who expressed himself on this matter was General Alfonso CORONA del Rosal, President of the PRI. At a banquet organized by the National Executive Committee of the PRI on June 24 in honor of the group of Mexican legislators who recently toured Europe and Iron Curtain countries, Corona del Rosal stated that the position of Mexico in face of its problems was really revolutionary, a judicious left (izquierda atinada). This statement caused much discussion in all political circles and many asked for clarification. Senator Manuel MORENO Sánchez, leader of the Senate, speaking at the same banquet, called for the unity of those leftist forces of which Corona del Rosal had spoken.

Although the statement made by General Grona del Rosal and its endorsement by Senator Moreno Sánchez could not perhaps be interpreted as the official position of the administration, it has generally been felt that both gentlemen spoke with prior official approval. This view was borne out by the statement, made a few days later, by President Adolfo López Mateos during his recent visit to the state of Sonora. While in Guaymas he held a press conference on July 1 and the question was asked him concerning the political character of his administration. In reply he said that the present Mexican administration was one of "extreme left within the Mexican Constitution," ("extrema izquierda dentro de la Gonstitución Mexicana"). This statement by the President, especially soon after the visit of President Dorticós, caused considerable stir within political circles in Mexico. (Extreme left appears to mean an aggressive advocacy of the doctrine derived from the Revolution. Neither the Mexican left nor the extreme left, according to Mexican interpretation, considers itself necessarily identified within international Communism.) Rightist opposition attacked the statement as revealing the leftist trend of the administration and the dominant party, and held that it gave encouragement and comfort to the Communists. Leftist groups were jubilant and wholeheartedly endorsed the statement as representing the basic tenets of the Revolution. Demonstrations were organized in support of the administration for its political position and much was made of the statement.

Significant among the endorsements expressed with respect to President López Mateos' extreme left statement was that of Emilio SANCHEZ Piedras, Deputy in the Federal Congress and President of the



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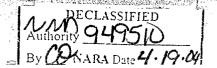
From Mexico, DF

Permanent Committee of the Congress. Speaking before a regular session of the Permanent Committee, he tried to explain what "extreme left" meant in terms of the Mexican Revolution and Mexican domestic realities. It meant, among other things, he claimed, progress in the agrarian reform, expansion of agricultural improvement and productivity, expansion of foreign markets, better education, and social justice. Deputy Sanchez Piedras, however, was not satisfied to confine himself to domestic affairs. Touching upon the Cuban situation, he stated that at this moment when the doors of friendship and understanding with respect to Cuba are being closed by the northern neighbor (the United States), the representatives of the Mexican people offer the Cuban people complete Mexican solidarity.

The statement by Deputy Sanchez Piedras concerning Cuba was widely discussed here and in the United States. The reaction was tremendous. Various demonstrations held soon after the statement was made got out of hand and violence resulted. Involved in these demonstrations were students, teachers, some labor groups, and other dissident elements. The publicity given in the United States to these incidents resulted in cancellation of tourists' reservations at a number of hotels. United States firms with business in Mexico became distinctly concerned regarding their operations here. Such a prompt adverse reaction in the United States in the face of these statements and incidents had a sobering effect on Mexican officials. Explanations of all kinds were made in an effort to show that all was well and that "extreme left" meant simply social justice; solidarity with Cuban people meant the traditional friendship of the Mexican people for the people of that sister republic and sympathy for their legitimate aspirations.

Concerning the leftist posture of the PRI and the administration, the interpretation that such a posture was adopted in order to mollify the Mexican left and reduce its pressure on the authorities may be a valid one. In so doing, the administration tried to demonstrate that it was pursuing a leftist course and consequently the left should not complain. These official statements, however, have tended to embolden leftist groups to assume a more aggressive attitude than before. Regarding the statement by Sanchez Piedras concerning Cuba, one cannot escape the conclusion that it may have been intended as a warning to the United States to "go easy" on Cuba. The implication appears to be that the United States should realize that Cuba has friends in the nemisphere whose sympathies are with the revolution in that country and that no harsh treatment should be meted out to the Cuban people.

It should be said parenthetically that President López Mateos appears to have poor knowledge of international affairs and little understanding of economic matters. During the period he has occupied the presidency, he has done little to promote the kind of understanding between the United States and Mexico characteristic of the RUIZ Cortines administration. This has taken place despite the assurances given Ambassador Hill by ex-President Ruiz Cortines in the presence



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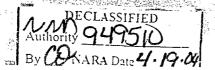
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of Lopez Mateos that he was convinced the cordial and correct relations between the two countries would continue and, in fact, improve.

It is plausible that these aforementioned statements were issued for domestic political reasons only in view of the strong leftist pressure on the administration. It is also true, however, that President López Mateos, as real head of the dominant party, is reported to have expressed himself as desiring to revitalize the party with stronger revolutionary doctrine. This, of course, could only mean a more dynamic leftist course than the party has pursued in recent years. It should be noted that PRI leadership has for the most part lost its revolutionary fervor. Political leaders and members of the ruling oligarchy have attained economic and social position. Their outlook is that of a bourgeois who has prospered under the present system and would not like to have that system disturbed or altered in any way. This attitude on the part of the ruling oligarchy has caused the revolutionary movement to evolve into what can be called a middle of the road regime. (Middle of the road is that moderate course into which the Mexican regime has evolved since the administration of President Avila Camacho.)

The left has assailed this attitude of the ruling oligarchy and has brought increasing pressure on the administration. There exists general discontent within certain sectors of the population. This discontent would tend to explain the rumors concerning the organization of a socialist party to take up the banner of the Revolution. The general political situation in Mexico is further aggravated by the tremendous growth in population and by the concentration of large numbers in urban centers where housing, services, sanitation, education, other facilities, and even jobs are inadequate. This population concentration has given rise to grave social problems which, in turn, affect adversely the overall political situation. Furthermore, the revolutionary movement, despite its many contributions, has not been able to extend benefits to all sectors of the population. It can be said without exaggeration that its more spectacular attainments have reached only about twenty per cent of the people. Thus, it is not strange to hear intellectuals as well as other observers point out that a new revolution is necessary in order to make the Revolution of 1910 effective.

The attempt of the administration and the dominant party to placate the left is in itself an admission that the left is a powerful force in indoctrinating the masses and in giving direction to popular aspirations. It also reveals a recognition of the latent discontent within those sectors of the population which have not derived benefits promised by the Revolution. In the past, political observers have been most fearful of the steady increase in the power of the Catholic Church. Many have stated to this reporting officer that the administration had more to fear from this quarter than from the left. It would appear, however, that the militant left is today a greater threat to Mexican stability than the right. Should the left become



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increasingly militant, the administration would have to yield to its demands, or become repressive. It should be borne in mind that the ruling oligarchy recognizes the need for stability at all costs because it has embarked on a program of economic and industrial expansion as well as on a program of national integration of the various racial elements. In order to attain these ambitious aims, stability is imperative.

The political disturbances which have developed in Mexico since 1958 and which started during the last few months of President Ruiz Cortines! administration and have continued under the present regime, are a matter of much concern to the Embassy. They serve as ample warning that the political situation in Mexico requires careful watching.

For the Ambassador:

Alberto M. Vázquez First Secretary of Embassy

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≪ROM : Amembassy, MEXIC	0, D.F	1491 DESP. NO.		Mexican Affairs
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20 ACTION DEPT. For Dept. ARA-4 N RM/R-2	INR-7		IB\ Ecc	
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over the alleged re former President CA				
or international pa	rt y			
The ex-Presiden longer considered h	t's words were inte	rpreted as imply	ying that Card	lenas no
onario Instituciona apparently been cau	1 (PRI), but the PR	I remained sile	nt on the issu	e. having
to Cardenas denial	of membership in a	"national part	y" which coul	d only
mean the PRI, was m Monterrey. The Emb	assy Weeka and Mont	errey Consulate	General versi	ons were
based on different said, since no verb	atim text of the in	terview was ava	ilable. In an	effort _
to establish the ex General discussed t	ne matter with Prof	. Eliseo SANCHE	Z, regional di	rector !
of the PRI for the quote, which, he cl				wing C
"At the pr	esent time, I have 1	no notice of the	is (Cardenas)	
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to doubt s	ich news."			
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limited himself to	stating that he was	not a member of	f a party. The	e de la compania del compania del compania de la compania del compa
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of members are listed as:

- 1. Attendance at assemblies and civic acts organized by the PRI
- 2. Obedience to the decisions of the Party
- 3. Support and diffusion of the Party's principles and political platforms
- 4. Support for the Party's candidates in elections
- 5. Loyal execution of assignments given by the PRI
- 6. Punctual payment of regular and extraordinary dues levied by the Party
- 7. Report changes of domicile

Members who fail to meet their obligations are subject to various sanctions, which are listed in the statutes as 1) admonition, 2) temporary suspension of rights, 3) removal from post (for Party officers), 4) expulsion from the Party, and 5) expulsion with statement of treason.

The severity of the sanction is established by the following standards:

Admonition - for failure to attend Party assemblies and civic acts; and for deficiency in carrying out Party assignments.

Temporary Suspension - for refusal to carry out assignments; and for repeated failure to pay dues.

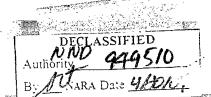
Removal from Post - for negligence in execution of political, social or administrative duties; for violation of the Statutes; for misuse of Party assets; and for profiting from Party position

Expulsion - for divisive activities among members; for advocating principles contrary to those of the Party or departing from the Party's political policies; for acting against the Party's candidates; for lack of probity in carrying out public duties; and for indiscipline towards the Party's decisions.

Expulsion with Statement of Treason - for connivance with other political parties.

As a founding member of the original political organization which is today the PRI, Cardenast membership in the Party was never questioned before he announced his non-affiliation with any party. However, a review of Cardenast political activity during the past eighteen months shows that if it had wished, the PRI would have found ample justification for expelling Cardenas by the strict application of the statutes. When he said in Apatzingan last year that Mexico was not immune from another revolution, he in effect said that the PRI was failing to achieve the purposes of the Mexican Revolution. His emotional espousal of Fidel CASTRO's

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cause runs contrary to the Government's more cautious expression of sympathy for the Cuban Revolution tempered by a policy of non-entanglement. Finally, Cardenas's sponsorship of the Latin American Peace Conference showed beyond a doubt that he was more of the stripe of the Partido Popular Socialista (PPS) than of the PRI, which tried to smother the Conference under a blanket of silence. Any of these activities, and undoubtedly many others, could have been adduced as a reason to oust Cardenas from the PRI had not other political considerations inhibited such drastic action. Foremost among these considerations is probably the desire for President Lopez Mateos to appear as the leader of all Mexicans united in the PRI. Expulsion of Cardenas would havecreated a significant breach in the Party in view of the large following that he commands. It might also have encouraged Cardenas to create a new party which would have posed a challenge to the PRI's supremacy. In short, it must have appeared preferable to the PRI to maintain a semblance of party unity by ignoring Cpardenas' deviations from national policy than to create an open break with one of its most outstanding members.

By his political actions, Cardenas showed that he was becoming increasing independent from the present PRI leadership. His isolation during the Peace Conference may have convinced him that the PRI no longer had room for him and he may have chosen to effect the break not by any formal act of resignation but rather by quietly disassociating himself from the Party -- or any party -- in a public statement.

For the Ambassador:

Joseph J. Montllor First Secretary of Embassy

cc: AMCONGEN, MONTERREY

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Authority 4496/0

-SECRET-45 Control: 219Ø2 Action Rec'd: JUNE 29, 1961 9:49 PM ARA FROM: MEXICO CITY Info T0: Secretary of State SS G 3626. JUNE 29, 6 PM NO: SP SAL H UNCONFIRMED PRESS REPORTS INDICATE CONSIDERATION BEING GIVEN SBTO SENDING HIGH RANKING US OFFICIAL ON A VISIT TO MEXICO AND Ε CENTRAL AMERICAN AREA. IN VIEW OF UNSETTLED CONDITION PX THROUGHOUT ENTIRE AREA AND FOR SPECIFIC REASONS APPLICABLE IOP TO MEXICO LISTED BELOW, I HOPE DEPARTMENT WILL CONSIDER INR ADVANTAGES OF POSTPONING SUCH A TRIP UNTIL A MORE PROPITIOUS TIME. RMR

AMONG THE CONSIDERATIONS APPLICABLE TO MEXICO ARE THE FOLLOWING:

FIRST. AS IS BEING REPORTED IN MORE DETAIL BY DESPATCH. IN LAST FEW WEEKS GOM IS BEGINNING TO SHOW SIGNS OF MOVING AWAY FROM PARTY LINE "IT CAN'T HAPPEN HERE" AND IS AT LEAST CONSIDERING CURBING COMMUNIST ACTIVITIES IN MEXICO; IN SPITE OF ITS STRONG ANTI-CLERICAL FEELING, GOVERNMENT HAS PERMITTED LARGE ANTI-COMMUNIST RALLIES BASICALLY ORGANIZED BY CATHOLIC CHURCH TO CONTINUE; EX-PRESIDENT ABELARDO RODRIGUEZ HAS MADE PUBLIC APPEAL FOR ANTI-COMMUNIST STAND; GOM HAS DECLINED INVITATION TO THE NEUTRALIST CAIRO CONFERENCE; LOPEZ MATEOS ON JUNE 7 SPOKE OUT AGAINST EXTREMISM AND HIS SECRETARY, HUMBERTO ROMERO, HAS SUBSEQUENTLY TAKEN MORE ANTI-COMMUNIST LINE IN COMMENTS TO AMERICAN CORRESPONDENTS. EVEN MORE SIGNIFICANT. EMBASSY RELIABLY INFORMED LOPEZ MATEOS HAS INFORMALLY GIVEN GREEN LIGHT TO THE FORMATION OF A PRO-GOVERNMENT LIBERAL AND ANTI-COMMUNIST ORGANIZATION ALONG LINES SUGGESTED BY ABELARDO RODRIGUEZ WHICH IS INTENDED SERVE AS COUNTER-FORCE TO COMMUNIST ACTIVITIES INCLUDING ORGANIZED STREET MOBS.

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-2- 3626, JUNE 29, 6 PM, FROM MEXICO CITY

WHILE I DO NOT WISH TO IMPLY THAT ANY PERMANENT CHANGE HAS TAKEN PLACE IN BASIC POLICIES OF PRI PARTY INSOFAR AS THEY RELATE TO COMMUNISM ALL OF THESE DEVELOPMENTS ARE FAVORABLE TO OUR SIDE AND THEY HAVE CHECKED, AT LEAST FOR THE TIME BEING, GROWING COMMUNIST INFLUENCE AND ACTIVITIES IN MEXICO. THAT THE COMMUNISTS ARE WORRIED AND ANGRY IS ILLUSTRATED BY UNUSUAL AND STRIDENT CRITICISM OF LOPEZ MATEOS IN RECENT ISSUE OF PRO-COMMUNIST MAGAZINE "POLITICA" FOR HIS JUNE 7 SPEECH. THERE EXISTS A POSSIBILITY, GIVEN MEXICAN SENSITIVITIES TO ALLEGED PRESSURES FROM US, THAT MEXICAN GOVERNMENT MIGHT HESITATE TAKE ADDITIONAL NECESSARY STEPS FOLLOWING A HIGH LEVEL OFFICIAL VISIT FOR FEAR THIS WOULD BE INTERPRETED AS KNUCKLING UNDER TO US INTERVENTION IN ITS INTERNAL AFFAIRS.

SECOND, IT HAS BEEN EVIDENT FOR SOME TIME REAL DESIRE OF MEXICAN GOVERNMENT IS FOR OFFICIAL VISIT OF PRESIDENT KENNEDY OR VICE PRESIDENT JOHNSON. NO OTHER VISIT HAS BEEN SOUGHT: THERE IS NO MEXICAN FEELING OF OMISSION OR DIS-CRIMINATION ON OUR PART IN THE TOUR OF AMBASSADOR STEVENSON IN SOUTH: AMERICA AND NO INDICATION WHATSOEVER THAT MEXICAN RESPONSE TO HIGH-LEVEL VISIT HERE (EXCEPT FOR PRESIDENT OR VICE PRESIDENT) WOULD BE REGARDED AS ANYTHING MORE THAN UNSOLICITED. UNILATERAL US ENDEAVOR TO STIMULATE CHANGE IN MEXICAN ATTITUDES TOWARD US. SUCH CIRCUMSTANCES WOULD NOT BE FAVORABLE TO SUCCESS. ON OTHER HAND, I BELIEVE MEETING WITH PRESIDENT LOPEZ MATEOS BY PRESIDENT KENNEDY OR VICE PRESIDENT JOHNSON SHOULD TAKE PLACE, BUT SHOULD BE CAREFULLY TIMED TO SUCCEED RATHER THAN PRECEDE EFFECTIVE GOM MEASURES TO CONTROL COMMUNISM IN MEXICO AND PERHAPS BE RELATED TO A PROGRAM WORKED OUT IN ADVANCE FOR AID TO MEXICO IN SOLVING ITS UNEMPLOYMENT PROBLEM. A MEETING OF THIS KIND, CAREFULLY PLANNED IN ADVANCE, WOULD BE MUCH MORE PRODUCTIVE FROM OUR POINT OF VIEW AND WOULD AT THE SAME TIME BE MUCH MORE IN LINE WITH MEXICAN GOVERNMENT'S OWN WISHES.

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-3- 3626, JUNE 29, 6 PM, FROM MEXICO CITY

THIRD, THERE IS NO WAY TO PREVENT COMMUNIST PARTY IN ITS
CURRENT ANGRY MOOD FOR ORGANIZING STREET DEMONSTRATIONS IF THEY
WISH TO DO SO. WHILE GOM HAS IN PAST PUT DOWN SUCH DEMONSTRATIONS
QUICKLY AND EFFECTIVELY AND WOULD PRESUMABLY DO SO AGAIN,
GIVEN PROPENSITY OF AMERICAN PRESS TO PUBLISH SCANDAL,
END RESULT MIGHT BE ANOTHER BLOW TO US PRESTIGE. A
DEMONSTRATION OF THIS KIND MIGHT FURTHER DAMAGE DOMESTIC AND
FOREIGN INVESTOR CONFIDENCE AND SET BACK TOURIST TRADE
AT A TIME WHEN CONFIDENCE IS BEING SLOWLY REGAINED FOLLOWING
THE RECENT MORELIA INCIDENT. I BELIEVE THESE RISKS
OUTWEIGH ANY POSSIBLE POLITICAL ADVANTAGE TO BE GAINED FROM
HIGH LEVEL VISIT AT THIS TIME, PARTICULARLY IN VIEW OF
PROBABILITY MEXICAN GOVERNMENT LINE WILL BE REQUEST FOR SEPARATE
\$400 MILLION PROGRAM FOR MEXICO.

NEVERTHELESS, IF IT IS DECIDED TO SEND OFFICIAL TO SEVEN OR EIGHT NORTHERN AMERICAN REPUBLICS, MEXICO SHOULD BE ON THE ITINERARY, PREFERABLY AS THE FIRST COUNTRY VISITED.

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INCOMING TELEGRAM

Department of Stuie

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PROHIBITED UNLESS "UNCLASSIFIED"

34 SECRET . 0 Control: 10.756 Action Rec'd: JULY 17, 1961 10:30 PM ARA FROM: MEXICO CITY Info TO: Secretary of State SS G SP NO: 136. JULY 17, 4 PM, (SECTION ONE OF TWO) L H EUR LIMIT DISTRIBUTION 10-D $\mathbf{\tilde{E}}^{-h}$. WITH CURRENT UNEMPLOYMENT, PRINCIPALLY RURAL, ESTIMATED BY MEXICANS SOMEWHERE IN NEIGHBORHOOD ONE MILLION PERSONS **BFAC** AND AN ESTIMATED 330,000 NEW JOB SEEKERS EACH YEAR GOM BIGC SHOULD LONG SINCE HAVE GIVEN PRIORITY TO POLICIES WHICH WILL ICA STIMULATE ECONOMIC GROWTH AT RATE NEEDED FOR MEDIUM AND DLF LONG TERM STABILITY. WHILE GROWTH INDUSTRY, TRANSPORTATION \mathbf{P} AND SERVICES SHOULD BE COUNTED ON TO EXPAND EMPLOYMENT. US IA IMPORTANT NUMBER JOBS MUST BE PROVIDED THROUGH LARGE NSC SCALE LAND RESETTLEMENT PROGRAM WITH EMPHASIS ON COASTAL INR LANDS IN SOUTHERN MEXICO WHICH ARE SAID TO BE FERTILE CIA AND ARE UNIQUE IN HAVING ADEQUATE RAINFALL. RESETTLEMENT OSD PROGRAM WOULD REQUIRE ERADICATION MALARIA, AND FLOOD CONTROL ARMY AND DRAINAGE PROJECTS IN ADDITION USUAL ACTIVITIES SUCH NAVY AIR AS CLEARING LAND, BUILDING ACCESS ROADS, CREDIT FACILITIES A'GR AND HOUSING. COM XMB THIS TASK IS OF SUCH MAGNITUDE THAT MEXICO NEEDS. IN ADDITION FRB TO BETTER MOBILIZATION ITS OWN RESOURCES, LIBERAL TREATMENT LAB. MEXICAN EXPORTS, ALL THE PRIVATE FOREIGN INVESTMENT IT TRSY CAN OBTAIN, CONTINUED HIGH TOURISM RECEIPTS, THE CONTINUATION OF THE BRACERO PROGRAM AND LOANS FROM US AND OTHER RMR CAPITAL EXPORTING NATIONS. AS THE DEPARTMENT KNOWS. MEXICO HAS BEEN SEEKING 400 MILLION LOAN FOR REFINANCING SHORT TERM DOLLAR OBLIGATIONS AND NEW DEVELOPMENT. THIS ASKING FIGURE WILL PROBABLY RISE. PROSPECTS OF RECEIVING SUBSTANTIAL AID FROM EUROPEAN SOURCES ARE NOT INSTEAD OF HELPING TO CREATE ESSENTIAL CONFIDENCE ON PART OF MEXICAN AND US BUSINESS COMMUNITIES GOM HAS OVER PERIOD REPRODUCTION FROM THIS COPY IS

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SECRET

-2- 136, JULY 17, 4 PM, (SECTION ONE OF TWO), FROM MEXICO CITY

OVER PERIOD MONTHS TRIED BE ALL THINGS ALL PEOPLE. ABSENCE OF A CLEARLY DEFINED, CONSISTENT POLICY (WHICH WE BELIEVE DESIRED BY LARGE MAJORITY MEXICAN PEOPLE BUT NOT BY RELATIVELY SMALL BUT INFLUENTIAL GROUP OF YOUNG BUREAUCRATS PLAYING FOOTSIE WITH EVEN SMALLER COMMUNIST MINORITY) IS CAUSING MEXICO TO FALL BETWEEN STOOLS AND IS PRINCIPAL CAUSE OF LACK OF CONFIDENCE WHICH HAS RESULTED IN THE CURRENT BALANCE OF PAYMENTS PROBLEM. WHILE GOM DESERVES CREDIT FOR STEPS TAKEN IN LAST TWO MONTHS TO RESTORE CONFIDENCE, WE DO NOT BELIEVE THERE HAS BEEN ANY BASIC CHANGE IN MEXICAN POLICY (SEE EMBASSY TELEGRAM 110 AND USUN 84 BOTH TO DEPARTMENT).

IT WOULD OF COURSE BE COUNTER-PRODUCTIVE REQUEST GOM CHANGE ITS POLITICAL AND ECONOMIC ORIENTATION IN EXCHANGE US ASSISTANCE. HOWEVER, IT SEEMS TO US WE WOULD BE ON SOUND GROUND IN CONSISTENTLY MAKING CLEAR TO MEXICO THAT OUR OWN BALANCE OF PAYMENTS, BUDGETARY DEFICIT AND OTHER PROBLEMS PRECLUDE US FROM MAKING MORE THAN OUR SHARE OF SACRIFICE. WE COULD STATE THAT WE ARE WILLING TO HELP ON A SUBSTANTIAL SCALE IN AMOUNTS AND BY MEANS TO BE AGREED UPON IF MEXICO WILL COOPERATE BY TAKING MEASURES TO RESTORE CONFIDENCE PRINCIPALLY OF ITS OWN CAPITAL BUT INCLUDING ALSO TOURISTS AND FOREIGN INVESTORS.

EMBASSY PREFERS MAINTAIN FLEXIBLE POSITION ON WHAT PRECISE MEXICAN DEEDS ARE NEEDED BUT AS A STARTER EMBASSY COULD RAISE THESE POINTS AS A POSSIBLE BASIS FOR A COOPERATIVE EFFORT:

A. A CLEAR AND CONSISTENT REPUDIATION OF COMMUNIST INFILTRATION INTO THE POLITICAL LIFE OF MEXICO FOLLOWED BY CONCRETE ACTS QUIETLY TO REMOVE FROM PUBLIC OFFICE KNOWN MEMBERS OF THE COMMUNIST PARTY; TO COMBAT COMMUNIST INFLUENCE IN EDUCATIONAL INSTITUTIONS AND ORGANIZED LABOR; TO EXERCISE AN EFFECTIVE CONTROL OVER THE IMPORTATION OF COMMUNIST PROPAGANDA FROM THE SINO - SOVIET BLOC AND CUBA AND THE PUBLICATION IN MEXICO OF SINO - SOVIET FINANCED PROPAGANDA; TO ELIMINATE COMMUNIST PROPAGANDA FROM TEXTBOOKS AND OTHER READING MATERIAL USED BY STUDENTS IN PRIMARY AND SECONDARY SCHOOLS; AND TO ACKNOWLEDGE

RESPONSIBILITY

SECRET

-3- 136, JULY 17, 4 PM, (SECTION ONE OF TWO), FROM MEXICO CITY

RESPONSIBILITY FOR PARTICIPATION IN HEMISPHERE DEFENSE -- IN PARTICULAR BY COOPERATING IN ESTABLISHMENT OF SOUTHERN AIR DEFENSE -- IDENTIFICATION ZONE (ADIX) TO PROVIDE EARLY WARNING OF END-RUN ATTACK OVER SOUTHERN US BORDER BY SOVIET LONG RANGE AIR FORCE AGAINST SAC BASES IN SOUTHERN STATES.

WE COULD POINT OUT THIS TYPE OF A QUIET PROGRAM OF ACTION WOULD BE ENTIRELY CONSISTENT WITH INDIGENOUS CHARACTER OF THE MEXICAN REVOLUTION, WITH MEXICO'S CHAMPIONSHIP OF NON-INTERVENTION AND WITH OBVIOUS DESIRE GOM MAINTAIN LIBERAL, LEFT OF CENTER ORIENTATION. FOR OUR PART WE SHOULD NOT OBJECT IF GOM CHOOSES TO DEFEND SUCH A PROGRAM AS ONE APPLICABLE TO ALL INTERVENTION WHETHER BY WESTERN OR COMMUNIST COUNTRIES. AND WE SHOULD BE FLEXIBLE IN YIELDING ON POINTS WHICH MEXICO MIGHT CONSIDER INTERVENTION BY US.

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Department of State

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Action								Control: Rec'd:	JULY 17, 19	961
ARA Info	FROM:	: ME	xico d	CITY					10:41 PM	000
SS	TO:	Sec	retary	of Sta	ate					
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- -2- 136, JULY 17, 4 FM (SECTION TWO OF TWO), FROM MEXICO CITY
- OR AGREEMENTS; AND, SUBJECT TO SAME CONDITION, TO STUDY ON A CASE BY CASE BASIS ANY MEXICAN DESIRES TO ACQUIRE MAJORITY OWNERSHIP AND MANAGEMENT CONTROL IN EXISTING INVESTMENTS.
- D. DEFINITION OF POLICY AS REGARDS INTENT OF GOVERNMENT TO SUPPLANT MEXICAN OR FOREIGN PRIVATE ENTERPRISE IN AREAS WHERE MEXICAN OR FOREIGN CAPITAL IS WILLING TO INVEST BUT IS FEARFUL OF NATIONALIZATION IF VENTURE PROVES PROFITABLE.
- E. WILLINGNESS ON OUR PART TO DISCUSS QUESTION WHETHER SOME US INVESTORS STRAIN BALANCE OF PAYMENTS POSITION OF GOM THROUGH EXCESSIVE REMITTANCES OF DIVIDENDS AND PROFITS.
- F. WILLINGNESS ON OUR PART ACCEPT DIVERGENCIES IN MEXICAN AND US FOREIGN POLICIES ON ISSUES IN UN AND OAS PROVIDED MEXICAN POLICY CONSISTENT WITH MEXICAN COMMITMENTS IN CHARTER OAS AND RIO TREATY. THIS WOULD EXCLUDE NEUTRALIST POLICY.
- G. WILLINGNESS ON OUR PART CONSIDER MEXICO'S NEEDS RE BRACEROS, TOURIST EXEMPTIONS, EMPLOYMENT OF "COMMUTER" LABOR ETC.
- H. WILLINGNESS CONSIDER COFFEE STABILIZATION FUND FOR CENTRAL AMERICA (NOT MEXICO) IN ORDER TO PERMIT CENTRAL AMERICA ACHIEVE AN ORDERLY, STRETCHED-OUT MARKETING OF THEIR COFFEE BASED ON REALISTIC EXPORT QUOTAS.
- I. A WILLINGNESS TO ENTER INTO DISCUSSION WITH US LOOKING TOWARD A FULL SETTLEMENT OF ALL CLAIMS BY USG AND US CITIZENS AGAINST MEXICO FOR LANDS EXPROPRIATED AND OTHER UNCOMPENSATED TAKINGS SINCE 1941 AND VICE VERSA.
- J. WILLINGNESS MEXICANS CONSIDER, WHEN POLITICALLY PRACTICABLE, TAX REFORMS BASED ON ABILITY TO PAY.

THESE AND OTHER

SECRET-

-3- 136, JULY 17, 4 PM (SECTION TWO OF TWO), FROM MEXICO CITY

THESE AND OTHER POINTS COULD BE MADE ORALLY AND TENTATIVELY USING AS A BASE THE ECONOMIC AND EQUALITY OF RISK OF OFFENDING MEXICAN NATIONALISM. IF MEXICO IS RECEPTIVE IN PRINCIPLE, DETAILED DISCUSSIONS COULD FOLLOW WHICH WOULD PRESUMABLY REQUIRE WEEKS OR EVEN MONTHS TO CONCLUDE. IF MEXICO IS NOT RECEPTIVE IN PRINCIPLE WE COULD WITHDRAW FROM DISCUSSIONS IN FRIENDLIEST AND MOST RELAXED MANNER, EXPRESSING UNDERSTANDING OF MEXICAN POLICY, AND THEN SIMPLY PUT A "SLOW MAN" ON JOB OF PASSING ON MEXICAN REQUESTS FOR ASSISTANCE. THE WHOLE PROBLEM OF MAKING COOPERATION A TWO-WAY STREET IS MUCH MORE URGENT FOR MEXICO THAN FOR US. THE RISK FOR US IN FOLLOWING THIS COURSE IS LESS THAN RISK OF MISLEADING MEXICO INTO THINKING THEY CAN COUNT ON US SACRIFICES REGARDLESS OF THEIR ATTITUDES TOWARDS US.

IF DEPARTMENT AGREES REQUEST AUTHORIZATION TO EXPLORE WITH THE MEXICAN GOVERNMENT THE POSSIBILITY OF COMING TO AN UNDERSTANDING ALONG THESE LINES WITH WHATEVER CHANGES DEPARTMENT WISHES MAKE.

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For Department Use Only ATR POUCH CONFIDENTIAL HANDLING INDICATOR FOREIGN SERVICE DESPATCH : Amembassy MEXICO FROM TO THE DEPARTMENT OF STATE, WASHINGTON. EmbDes 250, August 24, 1961 REF EUR NEA For Dept. Use Only OSD nsA 5 10 SUBJECT: Political Polarization of Left and Right in Mexico The simultaneous appearance of two manifestoes of divergent political tendencies and ideologies in the Mexico City press of August 24 only brought into the light what had been dimly but unmistakeblydiscernible for several months: the marshalling of the political forces of the left on the one hand, and a movement to create an anti-communist, national force on the other. From all indications the anti-communist coalition came into being as a reaction or counter-force to ever-increasing leftist activity led by ex-Presi dent Lázaro CARDENAS, whose boldest public action was his organization and sponsorship of the Latin American Conference for Political Sovereignty, Economic Independence and Peace (EmbDes 1103, April 3, 1961). Cardenas reappearance on the political scene after almost two decades of enigmatic silence that had earned him the epithet of "The Sphinx", can be directly traced to the advent to power of Fidel CASTRO in Cuba. The Cuban revolution offered the pretext for the stepping up of leftist agitation and propaganda S witness the student demonstrations of August 1960 and April 1961 which were manifestly pro-Castro and anti-U.S., and the emergence of the leftist periodi-O cal "Politica". The defense of Cuba was also the main theme of the "Peace Conference". One of the aims of the "Peace Conference" was the organization in each W Latin American country of a committee that would be charged with seeking the implementation in each republic of the resolutions adopted at the Conference. In Mexico this resulted in the formation of the Provisional Committee for National Sovereignty and Economic Emancipation that held its first national assembly on August 4 and 5, 1961. At this meeting the Movement for National Liberation (MNL) was constituted and the following twenty-six persons were elected to the MNL's national committee: Lic. Alonso AUILAR, Ignacio Aguirre, Lic. Clementina B. de BASSOLS, Lic. Alberto BREMAUNTZ, Ing. Narciso BASSOLS Batalla, Marta BORQUEZ, Dr. Enrique CABRERA, Guillermo CALDERON, Ing. Cuauhtémoc CARDENAS, Dr. Jorge CARRION, Lic. Fernando CARMONA, Heberto Narciso BASSOLS Batalla, mal vi Jorge GARRION, Lic. Fernan Ing. Cuauhtémoc CARDENAS, Dr. Jorge GARRION, Lic. Fernan DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS JJMontllor:ad REPORTER FORM 6-61 **FS-4**39 Department Use Only NAME OF OFFICER DATE OF

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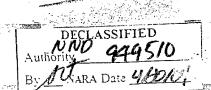
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CASTILLO, José CHAVEZ Morado, Carlos FUENTES, Lic. Ignacio GARCTA Téllez, Lic. Enrique GONZAIEZ Pedrero, Dr. Eli de GORTARI, Mario H. HERNANDEZ, JacintoLOPEZ, Braulio MAIDONADO, Ing. Manuel MARCUE Pardiñas, Arturo ORONA, Carlos SANCHEZ Cárdenas, Gral. José SIUROB, Manuel TERRAZAS and Profesora Adelina ZENDEJAS.

Although not elected to the national committee, Lázaro Cárdenas is still the leading figure of the MNL. He made the keynote speech at the opening session of the August 4 meeting, linking US imperialism with the Mexican clergy and oligarchy. He said, in part, "All the peoples of America since their independence have had to struggle against conservative and regressive interests... Neither in the fight for Independence, nor in the Reform or the Revolution of 1910, had the forces of the dominant oligarchies, of the political clergy and of the North American imperialism joined forces as is happening today." Resolutions comprising 115 pages were adopted at the assembly; they covered almost every conceivable subject of national and international activity. While many recommendations were of the type that all Mexicans could agree on, such as need for economic development, improvement in the standard of living, and better education facilities, others clearly revealed their communist inspiration. Among these may be cited those advocating the repudiation of international agreements such as the Rio Pact, the dismantling of the "North American satellite tracking station" at Guaymas, and the dissolution of the Inter-American Defense Board and of the Joint Mexican-US Defense Commission. With respect to Cuba, the resolutions called for the creation of a National Committee of Solidarity with Cuba, for the denunciation of the aggressive US policy toward Castro, and for the maintenance of a policy of non-intervention and self-determination with respect to the island. The assembly also advocated the establishment of diplomatic relations by Mexico with the Peoples Republic of China, and the latter's recognition in the United Nations.

Spurred by the leftist initiative openly displayed at the "Peace Conference", and the pro-Castro, anti-U.S. demonstrations of April 18, which included the sacking and burning of the U.S.-Mexican Cultural Institute at Morelia, Michoacan, Mexican anti-communist elements began to take counter-measures. In late May former President Abelardo RODRIGUEZ in a letter addressed to leaders of associations representing commercial, industrial and banking interests suggested an organization designed to spread among workers, farmers, white collar workers and youth, the principles of political, social and economic liberalism as an antidote to communism. Soon after, in early June, large gatherings of Catholics were held in front of churches in leading Mexican cities. Since then posters and stickers condemning communism have appeared in abundant numbers throughout the Republic. The seventh anniversary of the Cuban July 26th Movement was marked at the University of Mexico by the burning of an effigy of Castro by anti-communist groups, while the pro-Castro followers remained comparatively inactive. This anti-communist sentiment, under the slogan of "Cristianism, si - Comunismo, no", was widely exploited by the Church and lay Catholic groups in a national campaign against the left. It was probably out of fear that the left-right rift was getting too acrimonious that the President made his widely publicized speech of June 7 in which he said that his government would not tolerate agitation from either extreme (EmbDes 1487, June 21, 1961). The nationwide congressional elections of July 2 in which the anti-government, pro-clerical Party of National Action (PAN) polled slightly over thirty per cent of the vote, have been interpreted by some observers as attesting to the effectiveness of the Church's role in mobilizing the citizenry with an anti-communist slogan.



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With this background the stage was set for the appearance of the two manifestoes on August 24. The anti-communist one reportedly drafted in part by former President Miguel ALEMAN was signed by several politicians known to be anti-clerical, among them former Foreign Minister Ezequiel PADILIA. This fact has led to some speculation that this manifesto constituted an attempt by experienced politicians of the PRI right wing to steal from the Church the leadership of the successful anti-communist campaign. The Embassy has heard various reports that the text of the text of the manifesto was either cleared by or made known to the President. At least he did not strongly oppose its publication. The simultaneous publication of the leftist manifesto is widely believed to be more than a fortuitous coincidence. Two explanations are being heard: 1) that the leftists learned about the preparation of the anti-communist manifesto, and rushed completion of theirs to coincide with the former, and 2) that the President approved the publication of the anti-communist manifesto on condition that a leftist one also appear in order to give some balance.

It is too early to assess the effect of the polarization of the left and the right, as evidenced by their respective statements. The immediate purpose of their issuance appears to be to influence the President's Annual Message to the Congress (the Informe) to be delivered on September 1, on the convening of the new legislature. In his informe the President enumerates the achievements of his administration over the past twelve months, and defines the policy to be pursued in the future. Both camps undoubtedly hope that the President will feel pressured to lean their way, either by the adoption of favorable policies or the awarding of key governmental positions.

In the longer view, ideological lines are being drawn with sights focussed on the next presidential elections, still three years away. Whether the manifestoes augur the formation of new political parties should the President's PRI fail to reconcile the new groupings is too speculative an issue to consider at this time. However, most observers agree with an editorial in the Marxist "El Popular", which said, "The simultaneous appearance of two manifestoes which define the ideology of two groups of Mexicans important for their ideas, their social position, and their participation in the politics of the nation, is without a doubt the most important event in national affairs at this moment."

For the Ambassador:

Joseph J./Montllor First Secretary of Embassy

55-H		SEGRET			
Action			Control: Rec'd:	3681 December 6,	1961
ARA	FPOM :	Morriso City	1100 4.	11:35 pm	1. /·
Info	I IVOIVI .	Mexico City			020
SS	TO:	Secretary of State			UAJ
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Many Mexicans, including influential officials, displeased with Mexican vote in OAS and there is outside possibility their views and recognition dependence Mexican economy on US will bring about some modification before MFM January 10. There have even been rimors Tello is to be replaced. We hear also that some GOM officials said December 5 that President Kennedy's visit "cancelled", fully expecting cancellation following Mexican vote. These are some of the pressures on GOM and some modification its position may result. But in my opinion we should not count on substantial change in Mexican position at MFM as expressed by Tello (Embassy telegram 1633). My opinion influenced by fact Embassy twice made personal appeal to President Lopez Mateos on this issue. As late as December 2 he told me he would call Tello and left me with impression he would try arrange abstention rather than negative vote. As reported, we never hoped for more than abstention. Either Lopez Mateos agrees with or was indecisive with Tello.

In any case, while Lopez Mateos is by our standards considerably left of center, vote should not be interpreted as Mexican Government sympathy for Castro regime. GOM officials, on contrary, privately hope Castro regime will fall of its own weight. Mexican policy is dictated to an almost incredible extent, sometimes in opposition to what seems to me to be clear Mexican national interests, by rigid juridical concepts described as "principle".

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By_MMK_NARA, Date14/29/91

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-2- 1634, December 6, 5 p.m. from Mexico City (SECTION ONE OF TWO)

In this case there is reason suspect Lopez Mateos influenced by this tendency, sometimes submerged but always present, to maintain "independent" position in cold war. For example. Mexico City press of December 5 quotes him as having said: "In an epoch in which world is separated into two blocs, my government has made every effort to keep Mexico free of this world controversy". Mexico City press December 6 quotes from PRI Deputy Vargas Macdonald's speech: "Our President and with him the nation maintain that the Mexican state is divorced from either of the blocs of countries that give fuel to the cold war, because to form part of either of them, or of a third which oscillates between the two, would imply a grave contradiction of Mexico's foreign policy by contribution to increasging divisions between states, thus breaking the concept of a single international community. Our code is independence not neutrality since we are militants for peace and law".

These quotes are as accurate a description as any of the theses behind Mexican position. There is a little of Nehru in it and also some of Mexico's desire to diminish US position of leadership in Latin America. Also this thesis consistent with determination prevent defection of left and right wing elements PRI by waving flag Mexican nationalism.

Nevertheless Mexican decision of Cuban issue precipitates policy issues which while not new merit the Department's careful consideration:

If we simply acquiesce in Mexican position, do we not take first step toward admission OAS, conceived as organization to protect hemisphere against predatory suropean powers and to promote new-world democratic principles, is incapable of defending itself against communist subversion? And do we not give Mexico free hand to consolidate a Latin American bloc committed to Mexican thesis?

On other hand, if Department feels as I do that consequences SECRET

54 Action ARA Info SS G S P H SO PX IOP INR

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TELEGRAM CORRECTION ISSUED: 12/7/61, 2:05 p.m.

-3- 1634, December 6, 5 p.m. from Mexico City (SECTION ONE OF TWO) CORRECTED PAGE 3 SGC

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off Mexican position are so far reaching as to be unacceptable to US, are we willing with steady nerves and as privately and tactfully as we can to demonstrate to Mexico that this kind of behavior does not pay? In doing so, we must face possibility that this would mean at least a temporary strain on our relations and increase the risk that emotional Mexican leaders will turn further to the left.

Mexican position also raises these more immediate questions:

On assumption current Mexican position will be unchanged at MFM, should President Kennedy go through with plan to visit Mexico January 27? In my opinion this depends largely on answers to broader policy questions already posed. In context above assumption, visit would be interpreted by many as US approval of Mexican policy of "independence" of both blocs with its appearance of softness toward Castro-communism. almost certainly seek utilize visit to foster interpretation of US acceptance Mexican position. Result would be weakening of Mexican elements both within and without PRI who want more forthright Mexican opposition to Communism. Visit would strengthen those elements leading Lopex Mateos to the left and tend to justify Tellos position. - On other hand, postponement visit may arouse considerable GOM annoyance and resentment as it may interpret this as "pressure" from US end react accordingly.

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55 - H		SECRET	
Action		Control: 3680	
ARA Info	FROM:	Mexico City Rec'd: ,December 6, 1 11:35 pm	.961
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In view of these factors, I recommend that we postpone decision on announcement of President Kennedy's visit and hold open the question as to whether the visit itself should be postponed. Various pressures are at work here to modify Mexican position on Cuba and can be most effective while visit remains unannounced.

We must, of course, avoid any overt or apparent interference by the US, which would end to rally Mexican opinion behind Lopez Mateos to the detriment of US-Mexican relations. Rather we should avoid commenting publicly in any fashion about the visit and at all costs avoid directly relating the question of the visit to the Cuban issue. If necessary we may inform the Mexicans that because of meeting Congress in January and need President's personal leadership at that time we are in no position to make firm commitments now.

Should the Mexicans assure us they are ready to modify their position prior to the MFM, we should then announce the President visit. Should this not occur, and if as I hope Department is prepared to push for meaningful OAS action against Cuba even though some of the larger states do not accompany us I would recommend an indefinite postponement of the President's visit itself.

Until we can judge with some degree of certainty probable

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-SECRET

-2- 1634, December 6, 5 p.m. (SECTION TWO OF TWO) from Mexico City

Mexican role at MFM, I further recommend that we should delay action on any loans to Mexico and that we should influence intenational lending institutions to hold up consideration of current Mexican loan applications. Such action, however, must be taken in most courteous and indirect manner, and not be related to the Cuban issue and Mexican attitude.

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KEA: 14

For Department Use Only ATR MATT FOREIGN SERVICE DESPATCH Amconsul TIJUANA December THE DEPARTMENT OF STATE, WASHINGTON. ARA ConGen's D-22; December 4, 1961, Subj: Possible Demonstration Against ConGen RED 55 For Dept. хмв Use Only National Liberation Movement Meeting Held in Tijuana SUBJECT: On November 23, 1961, a meeting was held in Tijuana of the Municipal Committee of the so-called National Liberation Movement (Movimiento de Liberación Nacional), which is the Communist action movement spawned from the "Peace" Conference in Mexico City last March, and of the later August convention. A copy of the invitation to attend the Tijuana meeting, dated November 1961, is enclosed. Also, an MIN circular issued in Tijuana in November is being forwarded, and a blank membership application. The three signatures on the November 16 invitation -- Blas MANRIQUE, Prof. Antonio SALVATIERRA and Epigmenio RAMIREZ -- are those of well-known Communist Party and the Communist front CEM (Circulo de Estudios Mexicanos) leaders in Tijuana. The other two printed names, which are not signed, are those of persons less well-known in this connection: Dr. MILLANES, a dental technician in Tijuana, a member of the MLN, perhaps also of the CEM, but who has not been identified as a leader or a Communist Party member; and Pedro LLAMAS Iturbe, an influential member of the PRI Juvenil (Partido, Revolucionario Institucional, Youth) who seeks his advice from Blas Manrique. Local sources report that the meeting on November 23 was a routine attempt to organize cells, in line with the MLN policy of expansion into the "ejidos" (collective farms) and all segments of the country. Reliable sources place attendance at the meeting at about 120, with students and labor group members predominating. CROC (Confederación Revolucionaria de Obreros y Campesinos), the largest union in Baja California, sent representatives to the meeting principally at the insistance of Francisco FAVE a Communist and delegate of one of CROC's affiliated union groups. Copies sent to: Amembassy MEXICO Amconsul MEXICALI CJMcIntosh:lje epartment Use Only -

Authority NND 949510

By Mr. ARA Date 42404

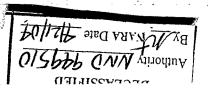
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The MLN, with its wider appeal to economic liberation, political liberation, etc., could prove to be a much more successful leftist effort here than the CEM, which now may fade into the background or disappear entirely. It is understood that members of the Communist Party themselves have been given instructions to push the MIN as a social organization and that a very active campaign to organize cells throughout the country is going on, with apparently some success.

The San Diego FBI has considerable information on the MLN and its activities in this area.

Enclosures: att

1. Invitation, 11/16/61.
2. MLN circular, 11/61.
3. Membership Application.



INCOMING TELEGRAM

RMR

Department of State

note part 445

36-H Control: 10815 Action Rec'd: December 18, 1961 ARA 2:32 p.m. FROM: Mexico City Info SS T0: Secretary of State SR G NO: 1744, December 17, 7 p.m. (SECTION ONE OF TWO) SP SO IO PRIORITY PX INR NO DISTRIBUTION TO OTHER DEPARTMENTS.

- I had a secret, frank and friendly hour long talk with President Lopez Mateos at his home this morning summary of which follows:
- 1. I commenced conversation by saying that I recognized Mexican policy must be based on Mexico's own estimate of its self-interest. On other hand, I was sure he would understand vote in CAS plus projected visit created problem for US which would be compounder if another negative vote cast at MFM. I wished principally to get his advice on visit, but was also at his service discuss substantive problem if he wished.
- 2. Lopez Mateos said Mexico could not abandon its "position". (He did not say "vote") I inquired whether he had personally had occasion recently read text article 6 Rio treaty. He replied in the affirmative. I then asked whether the interpretation of article 6 was the important thing or whether real basis Mexican position was its doctrine absolute non-intervention based on Mexican historical experience. He replied latter was the case and said his regime was transitory and could not assume responsibility for reversing historical Mexican position on non-intervention. (I interpret this to mean Mexican opposition to OAS multilateral action of any kind directed against any American state for any reason.)
- 3. Lopex Mateos emphasized this did not mean Mexican sympathy for Castro or Communist doctrine. He referred in this connection to various measures which Mexico had unilaterally taken against

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-2- 1744, December 17, 7 p.m. (SECTION ONE OF TWC) from Mexico City

Castro including refusing to sell Mexican petroleum products, cooperation in preventing transshipment US goods to Cuba and an assertion new to me that Mexican policy was to prevent shipments of Mexican foodstuffs to Cuba.

- 4. I said foregoing left my President difficult choice since I was certain he wished friendship with Lopez Mateos, but on other hand had to consider US public opinion and interpretation which would be given abroad to visit which followed closely on the neels of Mexican negative vote in MFM. It seemed to me principal question was meditining. President Kennedy has, as he knew, preferred visit later in year. Perhaps best solution would be delay "fixing time for visit" (I did not use word "postpone") until after MFM. He said this would be satisfactory, but wished make clear Mexico willing give President Kennedy warm reception now. I expressed appreciation, but pointed out difficulty any other solution since short time between conclusion of MFM and January 27 would be inadequate make security and other preparations but no mention was made of a new date.
- 5. I suggested it would be desirable consider possibility some kind official statement in view of press speculation about visit in January. He agreed and said he would instruct Tello talk with me about this and attempt work out something. Will telegraph when I have additional information this point.
- 6. I then said that as we understood absolute character
 Mexican doctrine non-intervention, I hoped he would understand
 importance US gives doctrine democracy also in OAS charter.
 We sincerely believe we are on side of angels when we support
 right of people all countries chose their own government and
 when we say there is parrallelism between peace and democracy.
 As applied to Castro, our principle means that Cuban people have
 right to chose their own destiny, a right which currently is being
 denied to them. I said that in addition I hoped he would understand
 US Attaches greater importance than Mexico to the security and even
 military implications of a Communist beach-head in hemisphere and
 our deep concern that Communism could spread to other American
 republics. He acknowledged understanding US views on security

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but said he thought it was difficult in practice to achieve real democracy. I acknowledged difficulty, but pointed to great progress which has been made in this direction in recent decades, something which is not possible under Communist control.

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36-H SECRET Control: 10816 Action December 18, 1961 Rec'd: ARA 2:33 p.m. FROM: Mexico City Info SS Secretary of State SR G NO: 1744, December 17, 7 p.m. (SECTION TWO OF TWO) SP SO PRIORITY IO

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- President then repeated Tello rationale that as practical matter it is preferable Castro be allowed fall of his own weight. I said I could agree with this in abstract, but entrenched strength of Communist apparatus in Cuba made obsolete yardsticks usually applied measure stability of regimes which depended on support of at least significant segment of people. I expressed opinion it would be imprudent expect Cuban people alone to oust Castro and argued from this premise that conclusion logically followed multilateral steps should be taken which worked toward ultimate isolation of Castro regime and reduction its subversive capabilities. I used as example Mexican intelligence of undoubted reliability that Cuban Ambassador recently summoned Mexican students to Cuban Embassy and lectured them on failure agitate effectively so as to earn monies given them by Cuban Embassy. I expressed opinion Cuban Embassy and all Communist activity was directed not only against US, but against PRI party and Mexico itself and noted Marxist doctrine called for elimination of liberal as well as conservative opposition, both potential and existing. To this President replied with familiar Mexican argument that only effective way deal with Communist danger is improve standards of living of people under Alliance for Progress.
- I then inquired whether he had taken into account effect of negative vote or votes on a further weakening of confidence

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which is essential to Mexican economic growth. He deplored this but implied that need to follow traditional foreign policy overriding.

9. At this point, he suggested Tello and I attempt between now and January 10 to reconcile US and Mexican points of view on MFM. I said I would gladly attempt to do so. Lopez Mateos stressed that much depended on precise issue on which Mexico would be required to cast its vote. Any instruction which Department wishes to give me in this regard would be appreciated.

(On basis Lopez Mateos statements alone there is little room for optimism even recognizing he left door slightly open by suggesting talks with Tello. On other hand, Lopez Mateos appeared understand vote by Mexico would accomplish no practical prupose since decision two-thirds majority binding on all. Also we should not disregard fact dissatisfaction with Mexican position on Cuban issue widespread except in far left. Finally, we also note Aleman, Rodriguez, Ortiz Mena, Diaz Ordaz and others are concerned and are allegedly working to find face-saving formula. Possibility of Mexican abstention should not therefore be entirely discounted.)

- 10. There was also inconclusive discussion of need of both UN and OAS demonstrate they are not only debating societies but capable dealing with problems our time. I suggested failure of OAS to function might ultimately have consequences which would not serve best interests of LA.
- 11. In light of foregoing my recommendations to questions posed in DEPTEL 1697 are:
- A. We should delay until after MFM any further discussion regarding specific date for meeting. We will then be in

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better position determine best wiming from standpoint our interests. Suggest Department take particular care avoid implying January 27 date was agreed upon, even tentatively so as to help Mexico save face. In regard to face, it is not impossible that Mexicans will rationalize that since Lopez Mateos "stood up" to US on issue of visit Mexico has more freedom change negative vote to abstention.

- B. We should await discussions with Tello on possible public announcement which should give us outline of rationale Moyt acceptable to Mexico. Department will understand rationale is much more important to Mexico than to US. Lopez Mateos acquiesence in postponement should not be interpreted as equivalent of no displeasure. On contrary, President is almost certain to have hoped US would bail him out again.
- C. After MPM, it would probably be preferable continue discussions re visit through this Embassy. But suggest definitive decision on this point be reserved.
- D. Best chance of inducing change in Mexico's attitude is maintenance firm but friendly attitude until such time as light begin to dawn on Mexico that cooperation has to be a two-way street, and that Mexico needs US more than we need Mexico. It is important that in weeks ahead each statement by a US official and each action on loan applications be carefully considered in light of probable effect on Mexican decisions. Former Foreign Minister Ezequiel Padilla and other Mexican friends have urged in talks with me that US avoid any statement or action which would lead Mexico believe we attach no importance their attitude on Cuba.

MANN

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For Department Use Only AIR POUCH HANDLING INDICATO FOREIGN SERVICE DESPATCH 762 AmEmbassy, MEXICO, D.F. FROM December THE DEPARTMENT OF STATE, WASHINGTON. TO REF INTE RM/F 20 For Dept. Use Only INT LAB XMB NS A 3 3 5 5 Conservative and Communist Forces in Mexico Prepare for the Next Presidential Elections SUMMARY The next Presidential elections in Mexico, in July 1964, may well be crucial to this country's future. Domestic problems, particularly the growing awareness of underlying economic and fiscal weaknesses and the need to ensure a more equitable distribution of personal income, as well as the ever-increasing impact on Mexico of international developments, make it increasingly difficult for the Government to continue its appearement of the many factions it contains by the pursuit of ambivalent policies. The next elections may therefore turn on the issue of whether the country's basically conservative tendencies will prevail or whether it will permit its small, but well organized, minority of Communists and their sympathizers to take control of its "Revolutionary" traditions and programs. The official candidate of the Government Party (PRI) will, as in the past, probably win the 1964 Presidential elections by an overwhelming majority. Within the Party are representatives of practically all political philosophies, from Marxists and Communist sympathizers to ultraconservatives. Thus, both left and right pressures will grow within the PRI, each faction attempting to acquire sufficient political strength to impose its own candidate on the Party, the candidate who will automatically become the new President. Two new forces have emerged outside the Party, but, so far at least, publicly avowing their loyalty to the PRI and the Mexican Revolidtion. One is the Movimiento de Liberacion Nacional (MLN), a grouping which brings POL/RWAdams:mwa CONFIDENTIAL REPORTER EVMcAuliffe/EMacauley FORM **FS-439**

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which brings together for the first time all elements of the left, and in which the Communists seek to find a "respectable" and nationalist way to power. The MLN, which has its greatest asset for unification of the left in the prestige and rural strength of ex-President Lazaro CARDENAS, is already expected by the PRI to evolve into an opposition party. It is, in fact, in the process of organizing the Union Revolucionaria Mexicana (URM), which is an openly declared political party. The second group is the Frente Civico, a strongly anti-communist organization created by ex-President Rodriguez, and with which ex-President Aleman is widely believed to be associated. It is the first organization in Mexico to attempt to rally public support on a nation-wide basis to oppose the Communist threat.

Both groups are expected to attempt to gain enough public support to influence the selection of the next PRI candidate. Alternatively, one or both may attempt to challenge the PRI in the next elections, although the latter will almost surely try to control — or destroy — any group which seriously threatens its own continued political dominance. No sector of the population will be more important in forthcoming moves to gain political strength than the long-disregarded peasants and farmers, the campesinos. These, comprising half the population of the country, are on the brink of becoming one of Mexico's most powerful political forces. Communists and conservatives — and, for that matter, the PRI as well — recognize this, and the campesino will probably be the principal target for all the factions now beginning to maneuver in preparation for the 1964 elections.

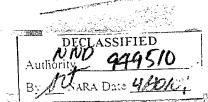
A. THE EMERGENCE OF NEW FORCES

By the late summer of 1961, two new and potentially important political forces had sprung into existence in Mexico: The Movimiento de Liberacion Nacional (MLN), the vehicle of the Communists, Marxists and radical leftists, and the Frente Civico Mexicano de Afirmacion Revolucionaria (FCMAR, generally known as the Frente Civico), a grouping of Mexico's conservatives and anti-Communists operating independently of the Catholic Church. The organization by democratic elements of a Frente Civico is generally viewed as a significant development in this country, where the forming of "political action" groups has long been an exclusive preserve of the extreme left.

Although Mexico's moderate elements had been concerned about Communist penetration for some time, they had done little but talk among themselves or

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1/ See Embdes 288, August 31, 1961.



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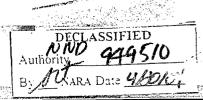
publish an occasional article in some friendly newspaper. Many, even those who are anti-clerical in opposing renewed political activity by the Catholic Church, felt secure in the knowledge that Mexico is essentially Catholic, hence presumably impervious to Communism. Others, having close ties with the Church but remembering the violence of the Church-inspired Cristero rebellion of the 1920's, feared another eruption of Church-State conflict. Finally, still other moderates believed that, in the final analysis, the United States could be depended on to prevent Communism from taking hold in Mexico. There is no reason to doubt that the many prominent Mexicans who minimized the dangers of the Castro-Communist threat to their country sincerely believed that Mexico's Catholicism and its proximity to the United States were effective deterrents to Communism. But events over the past year have shaken their earlier convictions.

The first manifestation of nation-wide significance of this awakening to the dangers of Castro-Communism was the strong, anti-Communist statement issued by Cardinal GARIBI of Guadalajara in the autumn of 1960 after a three-day assembly of Mexican bishops. The Church took many months to mobilize its temporal forces, and it was not until June 1961 that mass rallies were held in Puebla, Torreon, and other major cities. The appearance of "Cristianismo, si; comuniso, no" stickers by the tens of thousands throughout the country made evident the Church's political power, for the first time in many years, to the leftists, to the Government, and to the conservatives. The genuine support that the Church found among the masses of the people caused both democratic conservatives and the extreme rightists to try to capitalize on the same sentiment. Thus, the ultra-right Sinarquistas took over one of the Church-sponsored anti-communist rallies at Leon in June 1961 and converted it to their political purposes.

The largest of the conservative groups is the Frente Civico organized by ex-President Abelardo RODRIGUEZ in association with a large number of prominent citizens, some of them former high officials in the Government. It is widely accepted as a fact that ex-President Miguel ALEMAN is also one of the leaders of the Frente Civico but that, in order to retain a greater degree of freedom of action, he has so far avoided becoming openly identified with the new group. The Frente Civico has declared publicly that it was completely loyal to the President and the PRI, and that it has no ambition to set itself up as a separate political party. Although its directors continue to say that it intends to operate as a loyal arm of the PRI to counter Communist activities, some of its members are saying quite freely that it may well be forced to advance its own candidate in opposition to the PRI in the 1964 Presidential

elections

/ Embdes 476, October 31, 1960.



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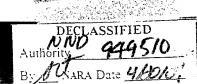
elections if it doesn't succeed in ensuring that the PRI run a conservative candidate acceptable to the Frente Civico. Thus, it is reported that the tacit approval first given the Rodriguez group by the Government has now been withdrawn, perhaps presaging a move by the PRI actively to oppose the growth of the Frente Civico. The group claims it is rapidly enlisting supporters throughout the country and that it has a large number of members in the Federal District and in the States of Jalisco, Nuevo Leon, Veracruz and Sonora. Smaller and less well-known are two other anti-communist associations working quietly and privately: one, the "Committee of Nine," is composed of young lawyers and has limited membership; the other, the "Patronal Group," consists of bankers and industrialists, principally from the Federal District. This new force, particularly the Frente Civico, can serve a dual purpose — it can function as a counterweight to Cardenas and his communist-line MLN, and, by its very existence, remove the alleged reasons advanced by some of the Catholic clergy for the Church's entering into politics.

A variety of motives have caused these conservatives to attempt to mobilize their forces in defense of Mexico's national traditions and institutions. The Cuban invasion failure convinced many that Castro was much more powerful than had been suspected, and that his regime might be a fixture in the hemisphere for some time to come rather than soon fall, as many hoped, of its own weaknesses. The renewed political activity of the Church alarmed some liberal, anti-clerical Mexicans who saw in this a massive reactionary threat to the real achievements of the Revolution. Finally, a number of conservative businessmen appear to have decided to lend support to the organization of a non-Church, anti-communist grouping because they believed this would not only help to contain the Communists, but also help to restore confidence in the Government's stability and, therefore, create a better atmosphere for Mexico's economic development.

The greatest problems facing the conservative groups at this time are: (1) the Government's attitude toward the Frente Civico, at first reportedly favorable when this group declared it was a non-political organization loyal to the PRI, but now increasingly negative as Frente Civico members talk of "capturing" the PRI from within or, failing this, even becoming an opposition party by 1964; (2) the lack of unity among the various organizations, the "Committee of Nine" apparently not wishing at the moment to join, as junior members, with the Frente Civico; and (3) the report that wealthy contributors, needed to keep these groups going, especially the more active Frente Civico, have lost much of their initial enthusiasm and, apparently, some of their earlier fear of the Communist threat to Mexico. In some ways, growing pains are to be expected, for this is the first real attempt to organize Mexico's conservative elements against the Communist threat.

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Embdes 757, Dec. 21, 1961.



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In direct opposition to the Frente Civico is the National Liberation Movement (MLN -- Movimiento de Liberacion Nacional), the offspring of the Communist-organized Latin American Conference for National Sovereignty, Economic Emancipation, and Peace, which took place in Mexico in March 1961. Ex-President Lazaro Cardenas and his supporters, along with the Communists, Marxists, and "leftist intellectuals" who had been active in the Conference, established the MLN in August in order to carry out the programs approved by the Conference. It is reportedly intended that the MLN becorganized throughout Latin America, some central coordination (presumably from Mexico) being required, but each national group formulating specific programs suited to local conditions. The MLN in Mexico is headed by Cardenas and a group of prominent Communists and fellow travellers. It quite patently has as its goal the unification of all Mexican leftist elements into a single bloc. It is strongly anti-United States, all of Mexico's ills being blamed on American imperialist exploitation and political domination.

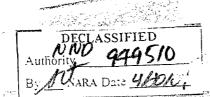
It is increasingly clear that the MLN is under the influence of the Partido Comunista Mexicano (PCM), although efforts are made to maintain the fiction that there is no connection between them, and that the MLN is a purely Mexican, "Revolutionary" grouping of patriotic citizens. There are reliable reports, however, to the effect that the PCM intends to continue its penetration of the MLN in order to take over control of its policies, and that the PCM believes that the MLN can serve as a more respectable cover for its own activities should the Government cause difficulties for the PCM itself.

The MLN has also publicly announced that it has no intention of becoming an opposition party, but rather that it desires to support the PRI and the Government. These declarations are now widely recognized as false, particularly since it is a well-known fact that the MLN is actively attempting to develop a new political party, the Union Revolucionaria Mexicana (URM), recently created as an organ of the MLN. The leaders of the MLN have reportedly agreed secretly on the categorical necessity of running a URM candidate, under the aegis of Cardenas, in the 1964 Presidential elections. There is still speculation that the Cardenistas and his Marxist followers will attempt to work within the PRI to impose their candidate on the official Party. However, the fact that Cardenas, by his own admission, no longer considers himself a member of the PRI, would make it appear more likely that his chosen candidate will be run in opposition to the PRI by the MLN's embryonic political party.

B. THE PRI AND THE NEW GROUPS

The PRI, Mexico's Government party, since its inception has permitted no real opposition to its complete and unchallenged control of the Government

1/ Embdes 732, Dec. 18, 1961.



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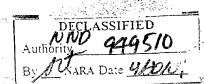
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apparatus. The Party encompasses elements belonging to almost every facet of the political spectrum from ultra-conservative to radical left (the latter, for practical purposes, hardly distinguishable from Mexican Communists and the followers of the Marxist Partido Popular Socialista). The need to reconcile inherently hostile political philosophies under one banner explains the constant efforts of the Government party to portray the Mexican Revolution as indigenous and original, and as the only acceptable solution to Mexico's problems. This explains, as well, the sensitivity of the Government over references to it as "rightist" or "leftist"; it asserts it is neither of these, but rather that it is "Revolutionary". The Party hierarchy, despite its denials, has thus veered more and more toward an imprecise "centralism".

In the interests of self-perpetuation and stability of administration, the PRI has pursued an ambivalent course. This influences Mexico's foreign policy attitudes, particularly with respect to its oft-reiterated doctrines of "non-intervention" and "self-determination", which actually have their roots in historical occurrences involving the United States — the Texan secession, the war of 1847, the occupation of Veracruz, and Pershing's pursuit of Villa. Starting in the late summer of 1960, however, there have occurred a number of events seemingly indicative of an alteration in Mexican policy — a withdrawal from its earlier tolerance of, even a certain sympathy for, Castro and his Mexican admirers, and a perceptible move towards a more nearly "centrist", more nearly Free-World line.

There appears

It is true, of course, that Mexico voted in the negative on December 4, 1961 on the Colombian proposals before the OAS for collective action against Cuba. A narrow juridical point of view, to which Foreign Minister Tello and some other Mexican officials attached much importance, and a strong feeling that collective action of any kind would undermine its policy of non-intervention prompted the Government's negative position on the Colombian initiative. Some Mexican officials state that they are definitely opposed to Castro-Communism, but express the hope that the Castro regime will collapse of its own economic weaknesses rather than as a result of "interventionist" collective action. The Government has taken great pains to point out that its vote does not in any way indicate sympathy toward Castro. There has been considerable concern among Mexicans over this apparent public identification of their Government with the Castro regime, and unhappiness in official quarters over reaction in other countries to Mexico's negative stand. This is still at issue, many influential Mexicans, including some important officials, attempting to bring about a modification of Mexico's purely "juridical" position prior to the Meeting of Foreign Ministers which is to take place on January 22, 1962. (See Embdes 694, December 11, 1961.)



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There appears to be an increased awareness on the part of the Mexican Government of the world situation and a growing suspicion that Mexico is not invulnerable to potential exploitation or subversion by international communism. The abortive invasion of Cuba in April 1961 may actually have contributed to a more practical outlook on the part of many Mexican officials who apparently have come to feel that Mexico can no longer depend entirely on the United States to protect the present Government against Communism, but rather that it must rely to a greater degree on its own resources and its domestic political stability. The growing awareness of discontent among the campesinos has led to a fear in Government circles that this may be successfully exploited by Cardenas and the Communist MLN, a definite possibility in the light of the past year's disturbances in various states and also the outright attempt to revolution in the GASCA uprisings of September 14-16, 1961. Moreover, the flight of domestic capital produced by uncertainty as to Mexico's political orientation, and the Government's realization of the very real promise implicit in the Alliance for Progress appear to have engendered an atmosphere more conducive to Mexico's closer alignment with the United States and the West.

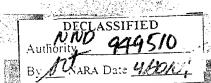
Immediately following the first indications that both the MLN and the Frente Civico appeared to have political aspirations, the PRI philosophy of unchallenged government was expressed by one of its leaders, who declared publicly that "There can be no proliferation of political parties within the Revolution." There is already evidence that the Government views the MLN and its front man, Cardenas, with something less than equanimity. past several weeks, the semi-official daily newspaper, El Nacional, has been running a series of anti-Cardenas editorials ranging from relatively mild ridicule to virulent invective. 2 In one of the more recent of these, it was asserted that the MLN was dedicated to the establishment in Mexico of a Soviet-type government under Cardenas tutelage. With his extensive following among the campesinos, Cardenas is still a potent force to be reckoned with, and, to date, the PRI has apparently been reluctant to cross him openly. Nevertheless, at such time as he may constitute a real menace to the Party, it will unquestionably take whatever counteraction may be necessary.

The Government's recent move to bring all seven ex-Presidents into the "official family" by giving each a Governmental office is regarded by many as a clever move on the part of President Lopez Mateos and the PRI to

accomplish

Embdes 546, October 31, 1961.

See Embdes 541, October 30, and 696, December 11, 1961. See Embdes 602, November 14, 1961.



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accomplish two things: firstly, to counter rumors about weaknesses in the PRI and lack of stability in the present administration; and, secondly, to put the more influential ex-Presidents -- Cardenas, Aleman, Ruiz Cortines, and Rodriguez -- in a position where they will work for, and answer to, Lopez Mateos, busying themselves in constructive work rather than engage in political maneuvering. 1

Cardenas and Aleman are certainly the two ex-Presidents of greatest political stature, and each holds policies diametrically opposed to the views of the other. It remains to be seen whether they will forego political activity (Cardenas on behalf of the MLN, and Aleman as the focal point for most conservatives), or whether they will attempt to use their new positions to exert greater influence in Government. The current and widely held belief is that the latter will hold true; that Cardenas will take advantage of his new office (head of the vast Rio Balsas irrigation and development program) to advance the MLN among peasant-farmer communities; that Rodriguez will continue to push the Frente Civico; that Aleman will pursue his strongly anti-communist line; and that Ruiz Cortines, whose position and recent activities remain unclear, may cast his lot with conservative groups despite his personal dislike of Aleman. But the PRI is a powerful institution and the President, despite current reports that his administration is bee ming increasingly weak, is still an astute politician. Although the PRI is reportedly concerned about Lopez Mateos' future (the possibility of his enforced resignation "within six months" is openly discussed in Mexico City), it is clear that the Party cannot afford to let the present administration collapse without serious damage to its continued political dominance. Thus, it is not impossible that Lopez Mateos, with the full power of the PRI behind him, can succeed in curbing the political activities of the ex-Presidents, submerging them in the responsibilities of a "national unity" endeavor, and perhaps also moving actively to control -= or, if necessary, remove -- the MLN and the Frente Civico.

D. THE NEXT PRESIDENTIAL ELECTIONS

The eyes of all three factions, conservative, Communist, and Government "center", are fixed on the Presidential elections of 1964. Assuming the continued existence of the Frente Civico and the MLN with substantially the same programs they have today, it is clear that each must engage in an increasingly aggressive campaign to enlist popular support over the next three years. There are four major groups which weigh heavily in Mexico's national elections -- organized labor, the large number of government employees (including those in nationalized

industry),

1/ Embdes 703, Dec. 13, 1961.

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industry), the middle class, and the campesinos. Given the structure of Mexican society, the political leanings of the first three groups are already well established. Thus, the campesino group -- comprising about 50 percent of the country's population and potentially a powerful political force -- is the one most likely to become a major bone of contention between the Communists and the conservatives. Each has certain initial advantages. The MLN and the Communists profit from the wide popularity of Lazaro Cardenas among the campesinos. They can exploit the campesino's growing awareness of his own poverty and the increasing gap in living standards between himself and the urban dwellers and government officials. The left can certainly be expected, as the next elections approach, to increase to a violent pitch its propaganda against American "economic imperialism" and "exploitation", against the Church and its alleged desire to pull Mexico back to the "social injustices of the 19th century", and against all conservative trends in Mexico as being allied with the Church, the extreme rightists, and the United States to destroy the advances made under the Mexican Revolution.

The Frente Civico and other anti-communist groupings suffer by comparison with the leftists because they have no prominent figure, at least for the present, whom they can use as a public spokesman. They will, of course, probably never have anyone of the stature of Cardenas to appeal to the campesinos. However, the conservative groups do start out with certain advantages among the campesinos. The latter, despite their occasional outbursts of violence, are essentially a conservative, clannish, property-loving people. They are passionately attached to their "tierra" and their small holdings, even though they may be communal land holders (ejidatarios). Moreover, the campesino woman is a much more influential member of the family than is generally admitted. She is a hard-working realist, outspoken, intolerant of radicals and others who try to upset established patterns of village life, and much more deeply influenced by the local priest or leading Catholic laymen than by any politician or local official.

Thus, both the leftists and the conservatives have certain initial assets in their move to enlist wide popular support among the campesinos. The Government and the PRI are fully aware of this situation and have already begun a campaign to reassure the campesinos of their future under the "Revolution".

Ideally, the PRI might hope that both the MLN and the Frente Civico remain as identifiable focal points for leftists and conservatives, easily kept under surveillance and kept in approximate balance. If either or both come to be regarded as threats to PRI stability and control, and particularly if either presses forward with real political leadership in opposition to the PRI

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or becomes too strong in rural Mexico, the PRI can be expected to move swiftly against it. Only time will tell whether the PRI can tolerate the continued existence of either group; whether, at a decisive moment, one of them will have unexpectedly gained enough power to dictate to the PRI; or, finally, whether the potentially explosive campesino group will support the MLN or the Frente Civico, perhaps even with violence, or continue to vote the PRI ticket.

Thomas C. Mann Ambassador

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			ANALYGIS & DISTRIBUTION BRANCH TO CHAIM
AGR	сом	FRB	returned of action
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INT	LAB	TAR	SUBJECT: Cuauhtemoc Cardenas Unable to Lecture at BUREAU Sity of Rennsylvania
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ARMY	CIA J4	NAVY	action to CU-mis Duckens
OSD	USI'A	NSA	A staff member of the AID mission has been told by Federico LAMICQ,
	0		Chief of the Promotion Section of the Industrial Productivity Center, that Cuauhtemoc CARDENAS has been offered the chairmanship of the Rio
- 13			Balsas Project and that his duties in this new position would not make it possible for him to accept the invitation of the University of
	0		Pennsylvanis Planning Department.
! \			Consequently, it may not be necessary for the Department to approach the University of Pennsylvania with a view to the possible
1	- 5		withdrawal of the invitation. The Embassy believes, however, that
			the Department may still wish to discourage the University from extending a similar invitation to Cardenas at a later date. Mexican Affairs
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By CONARA Date 4.19.04

sary, on communist and pro-communist activity in Mexico in connection with the forthcoming (June 29-July 1) State visit of President Kennedy to this country.

As the Department is aware, Mexican agitators and leftists are particularly addicted to the use of inflammatory handbills and posters. While these should not, of course, be disregarded, the reporting officer is of the opinion that handbills and circulars uncovered to date should not be a source of undue concern.

A cheaply-produced, mimeographed leaflet entitled Rebelion has been circulated in Monterrey and in the poorer sections of Mexico City. Two issues have appeared, both attacking President Lopez Mateos and his administration for not doing anything for the laborer and the campesino (rural worker), and going on to denounce the coming visit of President Kennedy graphs: (a) call on Mexican workers to force a postponement of the visit caused by Colorado River salinity; (b) advocate the adoption of patriotic (c) urge campesinos to acquire shotguns for future use; and (d) describe how to make a "Molotov cocktail". (NOTE: Source of these Rebelion leaflets has not been determined, but it is rumored that they are the creation of Braulio MALDONADO, reportedly a Communist, ex-political figure of some prominence, a henchman of Lazaro CARDENAS, and one of the

as a maneuver to bolster the Lopez Mateos Government. Other short parauntil the United States has reimbursed Mexicali residents for damages Mexicans for tactics used against former Vice President Nixon in Caracas; L top officers of the anti-U.S., pro-Castro MLN (National Liberation

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Page 2 of
Encl. No. 1486
From Mexico, D.F.

Liberation Movement -- Movimiento de Liberacion Nacional).

In Torreon, Coahuila, small handbills were pasted on walls and posts on several streets, reading "Socialist Cuba, Yes -- Yankee Salt Water, No!" and "Kennedy-Keep Out of Mexico". (Local Government authorities removed these posters in short order.)

In Monterrey, a public meeting of the MLN was held on May 27. It was attended by an estimated 300 people. One speaker attacked the President's visit because of his "conduct regarding Cuba". The speech was heavily applauded, but no resolution was adopted in relation to the President's visit.

With respect to security measures, the Embassy, which is already in touch with the appropriate Mexican agencies, has learned that a number of known trouble-makers and Communist agitators are to be rounded up by the police prior to the President's arrival and detained for the duration of the visit. We have also learned through other sources that even in Monterrey, and in the States of Chihuahua and Tamaulipas, police have been instructed to locate some 20 people who are said to be regarded as possible security risks in connection with the President's visit. These instructions are also reported to alert police in those areas to follow closely the movements of MLN members.

For the Ambassador:

Robert W. Adams

That w. Adams

Counselor of Embassy

for Political Affairs

46-M

JI GOLD

Action

Control: 18369 Rec'd: June 23, 1962

8:16 p.m.

ARA

FROM: Mexico City

Info

SS

TO: Secretary of State

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NO:

3796, June 23, 3 p.m. (SECTION ONE OF TWO)

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PRESIDENTIAL VISIT

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CIA THIS COUNTRY TEAM MESSAGE

RMR

In response to DEPTEL 3985, our estimate is as follows:

First, appraisal of communist plans:

Groups normally hostile to US are: (1) Communist Party of Mexico (PCM), a small but well organized group which receives funds from Soviet Bloc Embassies. (2) The PCM controlled National Liberation Movement (MLN) which is sponsored by Lazaro Cardenas. The MLN has somewhat broader political base but is loosely organized. (3) Popular Socialist Party (PPS) a communist organization with a following somewhat larger than FCM and headed by Lombardo Toledano . (4) A small and politically unimportant group of Spanish communists and anarchists which in the past has cooperated with PCM. We should assume they will work with PCM during visit. (5) A small and politically unimportant group of Trotskyites who in past have not cooperated with PCM. (6) Miscellaneous groups of students and splinter labor organizations which are used as pawns by the PCM and Soviet Bloc Embassies. These groups while comparatively small in numbers are capable of leading agitation and of attracting others.

MMY NARA Date 148/99

Outside the scope of this TEL are crackpots who operate individually or in very small groups and who from standpoint

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SECRET

-2- 3796, June 23, 3 p.m., (SECTION ONE OF TWO) from Mexico City

of personal security of President must always be taken into account. Please note also we are proceeding on assumption, based largely on information available to us about nature of instructions to PCM, that Soviet interests would not be served by bodily harm to President Kennedy. We must defer to Department's judgment on this point and suggest that this caveat be given urgent consideration.

Of these groups PCM and its collaborators represent biggest problem. Its plans have been reported in detail by Legal Attache and Embassy in recent days in telegrams captioned "Presidential Visit". New element is instructions to PCM from Soviet Union to undertake vigorous anti-Kennedy propaganda campaign and to create disturbances with police using students and other pawns while avoiding direct involvement of PCM members. Objective of PCM campaign is to create impression Kennedy visit is unwelcome by the people of Mexico and secondarily to demonstrate repressive character of Mexican Government. On other hand, according our information, PCM plans no "direct action" against President Kennedy or members of his party.

Propaganda campaign is already well under way. MLN has recently held indoor "peace conference" meeting which passed resolutions protesting Kennedy visit. US nuclear testing and space station at Guaymas. On evening June 22, some 600 of 74,000 students at National University met on university campus where they protested from Mexican security forces by university "autonomy" to hear harangue by student speakers who protested Presidential visit and accused US of responsibility for the death of Jaramillo family, dumping salt in Mexicali Valley, anti-Communist measures recently taken by university Dean and for all the ills of Mexico. Effigy of figure some considered Uncle Sam and others President Kennedy was burned in public. This demonstration spearheaded by some half dozen communist student groups which turned out between ... 150-200 hard core agitators. This meeting adopted resolutionsfor agitation along route of motorcade from the airport on June

SECRET

-3- 3796, June 23, 3 p.m., (SECTION ONE OF TWO) from Mexico City

29 and called for another mass meeting at university on same date. Storage of leaflets, placards and other material for demonstrations in various parts of city has already commenced. Demonstrations by small groups on streets, buildings and on rooftops along route of motorcade and at Basilica also planned: -If these PCM plans are executed and US press reports disturbances as representative of majority of Mexican people rather than very small organized minority, Communists could succeed in detracting from public relations impact of visit, particularly if through use of Molotov cocktails and other devices PCM succeeds in its probable desire of forcing clashes between demonstrators and -Mexican security forces. Mexican press, which is largely controlled by government can be expected to play down any demonstrations. Please note this telegram directed to situation in federal district. Possibility exists of propaganda campaignsand small scale disturbances in various states outside of federal district.

MANN

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Note: Advance copies to SS-O and INR 6-24-62 CWO-M.

CIA

RMR

Department of State

46-M SECRET Control: 18370 Action Rec'd: June 23, 1962 ARA .8:16 p.m. FROM: Mexico City Info SS TO: Secretary of State G L NO: 3796, June 23, 3 p.m. (SECTION TWO OF TWO) OIC PR P NIACT USIA SY PRESIDENTIAL VISIT INR

THIS IS COUNTRY TRAM MESSAGE

Sec. 3.4(b)(1) As reported recently by the in detail, PPS, which refused to participate in MLN meeting, is instructing its members to refrain from participation in plans.

Second, local measures being taken to counter plans:

Embassy believes Mexican Government has bona fide intention to prevent all incidents which will detract from visit. Embassy believes Government has capability of preventing any largescale or serious demonstrations but it may not be able to prevent, for example, a group of dozen students suddenly converging and whipping out placards or throwing Molotov cocktails at a police vehicle or at Embassy Office building with object creating a temporary and localized disturbance.

On other hand, there is every indication GOM, supported by large majority of Mexican people, has every intention of giving President Kennedy unprecedented welcome. Mexicans estimate more than million people in line motorcade route with friendly labor organizations, school groups, police, Frente Civico groups, government workers and police and military placed in strategic positions nearest street along entire motorcade route. Plans are that general public, including unfriendly minority elements, will be standing back from curbs. Government authorities state they will take

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SECRET

-2- 3796, June 23, 3 p.m. (SECTION TWO OF TWO), from: Mexico City take usual precautions with buildings and rooftops.

Re Basilica, which we consider another difficult part of visit due to large crowds anticipated, large area in terrace near side entrance of Cathedral will be kept clear and people confined to streets and remaining part of terrace behind wooden barricades. Plainclothes police and military will be on 24-hour guard duty in advance of mass and will be scattered throughout crowd.

Usual precautions being taken on routes President and Mrs.

Kennedy will travel. In addition, Mexican police have already begun rounding up elements considered dangerous amid unconfirmed reports which have created uncertainty in PCM ranks that Manuel Terrazas Guerrero, who is in charge of execution of PCM plan, was arrested then released after having been bribed by government. On other hand, large number of PCM members anticipating arrest have gone underground in district and in various states. Civilian police and military elements in Federal District are being reinforced by outlying areas.

While Mexican police and military authorities are having their customary difficulties coordinating with each other and agreeing on clear assignments of responsibility, Embassy believes these problems will be largely cleared up during next few days. We consider government plans and organization to be, on the whole, satisfactory at this time.

In respect of measures being taken by Embassy, we are passing on promptly to Mexican authorities all intelligence information received by us and are working closely with Campion advance party in working out security problems concerning visit. GOM is well informed concerning PCM plans and is actively working on counter measures. Gathering and reporting information on security President's visit has been first priority of Embassy for several weeks. Embassy coordination with GOM authorities at peak.

In sum, while we do not wish to underestimate importance of Soviet directive to PCM and money and organization available to that party, we believe GOM has will and ability to cope with PCM plans and that prospects of fave ble total impression

CHCRET

-3- 3796, June 23, 3 p.m. (SECTION TWO OF TWO) from Mexico city

from public relations point of view are relatively good.

Third, measures that might be taken in Washington:

We would appreciate immediate information concerning names of communists capable of cooperating with PCM who are known to Washington and who have recently arrived in Mexico or who may arrive before or during visit.

Embassy is recommending in separate telegram provision of US helicopters available for stand by during visit. Please note arrival of helicopters should not be related to security of President.

MANN

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Note: Advance copies to SS-O and INR 6-24-62 CWO-M.

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AMERICAN EMBASSY

MEXICO, D. F.

Memorandum of Conversation

DATE: Friday, June 29

4:45p.m.

Part II

SUBJECT:

Communism in Latin America

President Kennedy PARTICIPANTS:

President Lopez Mateos Foreign Minister Tello

Ambassador Mann

Mr. Martin

COPIES TO:

Ambassador Carrillo Flores

ARA S/S-S - Mr. Breisky CMA-2

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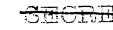
President Kennedy brought up the subject of the danger of the spread of Communism in Latin America, particularly in the Caribbean basin, as a result of Sino/Soviet influence in Cuba and the use of Cuba as a springboard.

President Kennedy first asked whether President Lopez Mateos thought that the Cuban people would be able in the foreseeable future to recover their sovereignty from the Castro regime. President Lopez Mateos expressed the opinion that while the Castro regime had lost ground with the Cuban people because it had perverted the original purposes of the revolution and had come under the influence of the Communist bloc, it seemed doubtful, as a practical matter, that the Cuban people would be able to do very much about it in the foreseeable future because of the nature and military strength of the Castro regime. President Lopez Mateos doubted that the Communist revolution could gradually become a national type of revolution such as the one which took place in Mexico.

There was some discussion about the ability and disposition of the Soviet Union to give meaningful aid to Cuba.

President Kennedy, following up on President Lopez Mateos' appraisal of Castro's chances for survival, then asked what President Lopez Mateos thought could be done to prevent the spread of Soviet power and doctrine via Cuba to other American Republics. President Kennedy mentioned his concern with Soviet activities in countries like Venezuela, Colombia, Guatemala and Ecuador. Guerrilla activities in Colombia and the recent revolts in Venezuela were specifically mentioned.

President Lopez Mateos



President Lopez Mateos acknowledged that this was a very difficult question. He said that Mexico had the ability to deal with Communist subversion and implied each country should take whatever measures are necessary to defend itself. Mr. Tello suggested at this point that it is important that Latin American countries prevent their territories from being used as a base of operations against other American Republics.

President Lopez Mateos repeated the familiar Mexican thesis: The important thing is to create better economic and social conditions and especially to provide jobs. When the people were better off, he thought it would not be easy for the Communists to lead them astray. He stressed his opinion that the Alliance for Progress is the best way to combat Communism.

President Kennedy replied that he did not underestimate the importance of economic growth and social progress; nor was he suggesting that Communism was an immediate danger in the United States or Mexico. But he pointed out it would take a decade to achieve the objectives of the Alliance for Progress even under the best of conditions. In the meantime, the question was: What did Mexico think should be done to prevent the spread of Communism in other American Republics? President Kennedy pointed out that, as Cuba shows, once a Communist regime has fastened itself on a country, it is most difficult for the people to rid themselves of it.

The Foreign Minister then recalled that Mexico was the first country at Punta del Este to openly espouse the doctrine of incompatibility between Cuba and the inter-American system and argued that this was a very substantial contribution to the success of Punta del Este because this was the thesis that prevailed rather than the Colombian or Peruvian doctrines. He explained again the Mexican juridical doctrine of the necessity for amending the Charter of the OAS 30 that there would be a sound legal basis for collective action.

The Foreign Minister went on to say that the Castro regime had made many "mistakes" and in his opinion would continue to make mistakes. He said that Chile, for example, had recently been on the verge of breaking relations with Cuba. (Ambassador Carrillo Flores later informed Ambassador Mann that he interpreted Tello's statements about Castro's "mistakes" to mean that Mexico might later break relations with the Castro regime because of its interventionist tendencies in Mexico).

President Kennedy

President Kennedy returned again and again to his question of what President Lopez Mateos thought was the best way to deal with the obvious danger of an expansion of Communist influence in Latin America. President Lopez Mateos each time repeated his view that rapid economic development and social progress was the answer. In the end he said he would give the matter more thought.

In the course of the discussion, President Kennedy stated that the United States wished to deal with the problem of Communist penetration in the hemisphere in cooperation with other Latin American states like Mexico. He said he wanted to keep in close touch with Mexico on this point and to reach agreement on practical measures which could be taken by American states to deal with the threat. He said the United States had no plans at the present time for unilateral military action against the Castro regime.

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AGR	сом	FRB	FROM Amconsul TIJUANA DATE: July 19, 1962
INT	LAB	TAR	SUBJECT: Has the Movimiento de Liberación Nacional Chosen Baja California
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ARMY	CIA	3 NAVY	REF : cionario Institucional?
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0SD 12	USIA	NSA 3	
FB1	·		Less than twelve months ago the State of Baja California was the young- est and perhaps the most tranquil state in the Mexican Republic, but during
1		_	the interval a power play with national ramifications, directed by the Movi- miento de Liberación Nacional (MLN), has created a highly volatile and po-
efig. Na	-		tentially most explosive political situation in Baja California which it now
			appears could well climax within the next fifteen to twenty days. Depending on events during the interval, any one of several results may be anticipated.
	-		발표하는데 그는 물로 한 경로 가장 등록 생각하는데 보고 있는데 보고 있는데 그런데 그런데 그런데 그런데 그런데 그런데 그런데 그런데 그런데 그런
			Although moves leading to the creation of this situation have been made over a period of some twelve months, the strategy is only now becoming ap-
			parent. The game, if it can be called that given the dangerous gambles in-
			volved, has been extremely difficult to follow even for experienced native players, because the pawns utilized are humanly motivated and capable of in-
			dependent and erratic moves, beyond the exact control of those who seek to
			manipulate them. Nonetheless, some firm conclusions can now be drawn, and other, admittedly tentative, but still probable, results can be predicted.
			It seems certain that regardless of what turn events may take, a serious
			setback for the Partido Revolucionario Institucional (PRI) will be an in- evitable consequence, with the MIN enjoying a commensurate advantage and
			boost in power and prestige.
i Ta			<u>BACKGROUND</u>
			It is difficult to establish a point of departure from which to portray
			the situation that exists in Baja California today, partially because of un- anticipated (even to those who have precipitated them) developments and con-
			Iditions which contributed to the creation of the current situation, and
			FORM DS-323 CONFIDENTIAL, FOR DEPT: USE ONLY In Control of the Con
Drafted	by:		KWCrockett:1je 7/19/62 Contents and Classification Approved by:
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From_Tijuana

partially because at this juncture, it appears that any one of several goals may ultimately be sought by those who press the game, the intellectual leaders of the MIN. The recitation of at least some historical background therefore seems inevitably necessary.

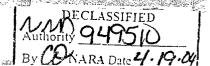
During his governorship of Baja California, Braulio MALDONADO, presently identified by Mexican observers as the "visible" head of the MIM, was closely allied and economically associated with the "Residente" of the Distrito de Riego del Valle Mexicali, Eligio ESQUIVEL, who eventually became his successor and currently continues to hold the post of Governor of Baja California. While it must be conceded that the post of Governor of Baja California is the most important political position in the State, it must also be conceded that the appointive position of "Residente" of the Distrito de Riego del Valle Mexicali can, when properly manipulated, rival the political importance of the Governorship itself in a state where agriculture is supreme and water vital to the livelihood of every farmer, large or small. Both Maldonado and Esquivel understood this political fact of life, and both accommodated their individual interests to it during their respective tenures in the posts in question. Consequently, it was natural and inevitable that they should become associates in business enterprises in the State of the type that could be promoted through participation in the development of the agricultural potential of the Mexicali Valley, i.e., construction companies specializing in the fields of communications and expansion of facilities for the utilization of water resources.

During the period in question Alfonso GARZON, current "visible" leader of the exodus movement of campesino elements of the Mexicali Valley from the PRI, was the dominant agrarian leader in the Mexicali Valley, as much dependent on Maldonado and Esquivel for success in his undertakings as they were dependent on him for success in the effective implementation of many of their own projects. A mutually advantageous association and working accommodation between Maldonado and Esquivel on the one hand, and Garzon and his campesinos on the other, was firmly cemented during the period in question, a circumstance that has facilitated recent manipulations leading to the situation which is the principal subject of this report.

Coming to more recent times, during the initial period of Esquivel's administration, there was no specific evidence that Maldonado was actively engaged in any political undertaking within the State of Baja California. Maldonado remained in the central area of Mexico, dedicated himself to writing a communist leaning book and, it has subsequently become apparent, worked with other extreme leftists and communists to form and launch the MIN.

Esquivel, meanwhile, gave no evidence during the early years of his administration of being particularly inclined toward the extreme leftist element in Mexico nor any particular evidence that he entertained a strong feeling of antipathy toward the United States. Recent developments seem to indicate, however, that Esquivel may have been biding his time, awaiting a propitious opportunity to emerge in a different character. There are aspects of Esquivel's background which are worth noting in this respect.

While it has never been established that Esquivel has had direct ties with the communist movement in Mexico, he has been suspect because of a number of



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fragmentary and inconclusive reports. He was at least a close professional associate of Adolfo ORIBE de Alba, when the latter was Minister of Hydraulic Resources, and it has been reported that the two shared an admiration for the communist movement. The FBI has information from a reliable source establishing that Esquivel made regular contributions to the Communist Party of Mexico for a period. Although information concerning Esquivel's association with the communist movement is inconclusive, in its aggregate it has been considered sufficient to warrant the withholding of his privilege of entering the United States, and this privilege was provisionally restored only after Esquivel submitted himself to extended, inexpert and aggressive cross examination in order to plead for the privilege of entering the United States to purchase equipment necessary for the conduct of his private business enterprises. More recently, and since Esquivel has been Governor of Baja California, he withdrew applications for nonimmigrant visas for his family submitted to our Embassy at Paris after being informed that prompt action could not be taken in his case.

It seems safe to speculate that at best, Esquivel has not been an anti-communist and that he could well harbor a feeling of deep resentment for the United States as a result of the difficulties he has had with our officials in connection with the obtention of entry permits. I do know that since Esquivel returned from Europe (circumventing the United States) he has studiously avoided participating in any event in this area where there has been any substantial participation of United States elements. I cannot be sure whether this results from old resentments or the Colorado River salinity issue, or if it is a combination of both, but there is no doubt about the fact itself.

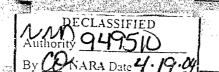
I have not searched the records to determine whether Maldonado came out in the open to espouse the formation of the MIN throughout the Mexican Republic before Esquivel undertook the project of defending Mexico's position in the Colorado River salinity problem, because it is not really important in this instance whether the chicken or the egg came first. What is important is the fact that Esquivel found use for the MIN in connection with his Colorado River salinity campaign, and the MIN found the salinity issue to be tailor made for the promotion of its interests in Baja California particularly, but also to some extent in Mexico at large.

Perhaps more important still, from the standpoint of the currently developing situation, is the fact that both Esquivel and the MLN were able to serve their respective (if that is what they were) interests simultaneously through use, or misuse, of Garzon and the salinity issue.

Since the initial sequences of recent events precipitated by Maldonado's MIN and/or Esquivel have no obvious or apparent relationship, it is unfortunately necessary to take the end user's time to trace developments from the two quarters before it is possible to demonstrate how they have subsequently coincided and are currently melded. Let us take Maldonado as a starter.

Braulio Maldonado and the MLN in Baja California

Largely discredited within the PRI as a result of his communist tendencies and bungling administration as Governor of Baja California, Maldonado, in order to



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perpetuate himself in Mexican political life, was faced with the necessity of finding another banner at the end of his term of office. Aside from these considerations, it can be speculated with some degree of confidence that Maldonado, as a part of the Cardenista wing of the PRI, intentionally laid at least some of the groundwork for his more recent activities during his tenure as Governor of Baja California. Many observers in this area believe that neither Cardenas nor Maldonado had reached a firm decision to launch the MLN until convinced by developments during the initial years of the Lopez Mateos administration that the time was ripe for such a maneuver. It is also widely speculated by knowledgeable Mexican politicians in this area that developments in Cuba encouraged an affirmative decision. In any event, organization of the MIN in Baja California was accomplished quickly and with a marked degree of effectiveness, in large measure because Maldonado could call on former associates and his appointees who still hold office in the area for support to this end. Also, in Tijuana at least, and I understand in Ensenada and Mexicali as well, the leadership of the local communist party organizations provided readily available leadership; the roster of directing officials of the MLN in this area includes a high percentage of local directors of the Communist Party of Mexico (PCM).

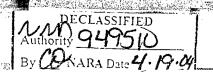
The MIN had been organized and needed a regional issue to rally around to draw mass adherents at about the same time that the Colorado River salinity problem became acute. Let us how return to Esquivel.

Governor Esquivel and the Salinity Issue

Given a cultivated distaste for the United States and conceding a normal degree of honest Mexican nationalism, combined with a feeling of regional protectionism accentuated by the fact of his gubernatorial responsibilities, it must be acknowledged that Esquivel had ample motivation for taking an active and belligerent position on the Colorado River salinity issue. When the Welton-Mohawk drainage program had been identified as the source of the marked increase in salinity of waters delivered to the Mexicali Valley, Esquivel seized upon every device at his command to establish that the United States was guilty of irresponsibly creating a situation prejudicial to the interests of the Mexicali Valley farmers and damaging to Mexico as a whole. In passing, it would be well to note that regardless of other purposes which the resultant furor might have been intended to serve, it also served to divert attention from inadequacies of Esquivel's administration, of which there has been an accumulation since his inauguration sufficient to convince a much less perceptive and much more scrupulous politician than Esquivel that a diversionary maneuver would be advisable. The Colorado River salinity issue provided a ready-made opportunity for such a maneuver.

From the beginning, Esquivel showed no disposition to deal with the Colorado River salinity is sue through normal channels. Instead, he encouraged public protest manifestations, using the campesinos and the students as raw material, and attempting to use organized labor as well.

Esquivel had little initial success in creating a situation of agitation within the student element. For one reason, Baja California has only a nominal university, and secondary students were not well enough organized. In addition,



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the Commandant of the II Mexican Military Zone, acting on orders which he told me came directly from President Lopez Mateos, advised against the granting of authorization for secondary students to participate in public manifestations as a group. A third deterrent, at least in the Tijuana and Ensenada areas, stemmed from the fact that local interests wished to avoid student disorders at all costs because of the anticipated adverse effect these could be expected to have on the vital tourist industry.

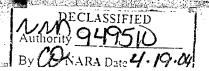
It was through the MIN and its adherents among the public school teachers that the students were eventually organized and utilized to some extent in pressing the salinity issue. Encouraged by communist leaning MIN teachers, the Baja California State Federation of Secondary Students (FEEB) was revitalized and a State convention held. Esquivel received representatives of the FEEB and encouraged them to go ahead with plans to hold manifestations throughout the State protesting the salinity issue. Objections from the Commandant of the II Mexican Military Zone notwithstanding, Esquivel ordered local Mayors to authorize such manifestations. Repercussions were not particularly serious, however, with the possible exception of Tijuana, where authorities barely averted a student attempt to deface the Consulate General and finally had to resort to billy clubs, tear gas and warning shots to disperse a hard-core nucleus of student agitators, incited to violence by their MIN professors. MLN attempts to exploit these developments were not easily thwarted, but the warnings and advice to student leaders by calmer heads, in combination with the fact of summer vacations, have served to keep things under control, at least for the present. Once school reconvenes in the fall, however, MIN teacher-agitators will be in position to resume their subversive efforts among the students. There is a considerable degree of local preoccupation over this, and I frequently hear the fervent wish expressed that a solution to the salinity issue will have been announced, defined and publicized before classes are resumed in September.

It was also through the MIN that attempts were made to bring organized labor in the area into active participation in the salinity issue, public manifestations and demonstrations being the initial objective. However, moderate elements within organized labor identified MEN agitators as extremists and communists, and were able to dissuade organized labor as a group from being drawn into the issue. This was true in the case of the Confederación de Trabajadores Mexicanos (CTM) as well as in the case of the larger Confederación Revolucionaria de Obreros y Campesinos (CROC).

It thus developed that the campesino element of the Mexicali Valley was the only sizable group that offered the potential of being manipulated by Esquivel in the salinity issue.

Alionso Garzon and the Liga Agraria Estatal

As the representative and spokesman of those most affected, Alfonso Garzón, leader of the Liga Agraria Estatal, was an indispensable element to Esquivel in his Colorado River salinity campaign. Garzón, with Esquivel's urging and support, brought his campesinos into the streets of Mexicali by the thousands, maintained a large group camped before the Consulate there for a protracted period and organized pilgrimages to Mexico City to carry the salinity issue to the highest levels of the Mexican Government. Knowledgeable elements among the campesinos of the Mexicali



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From Tijuana

Valley inform me that Garzón was under the impression, most probably as the result of Esquivel's orientation, that the action he was taking was desired and supported by the López administration, to strengthen its hand in negotiating the salinity issue with the United States.

It seems highly likely that this was the case, and after having done what he must have felt was an outstanding job in this respect, Garzón undoubtedly expected to receive commensurate reward for services rendered. I am told by one informant that Esquivel had assured Garzón he would be rewarded with any post he might desire, within reasonable limits. Garzón's first choice was reportedly the mayoralty of the Mexicali municipality; his alternate, nomination on the PRI ticket for State Congressman in the forthcoming August 5 elections, representing the campesino sector.

It seems likely that Garzon did not expect to receive the PRI nomination for Mayor of the Mexicali municipality, but there is every reason to believe he did not consider it at all unlikely that he should be granted his "second choice". Esquivel reportedly assured Garzon of his backing to this end. However, when the official PRI nominations were announced from Mexico City, not only was Garzon left out in the cold, but the campesino sector received no recognition at all on the official slate of state officials to be elected on August 5.

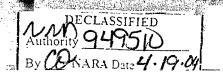
While the inner workings of the PRI were as obscure in this instance as is normal, two astute local PRI politicians have told me they know, on good authority, that Esquivel himself was significantly instrumental in Carzón's exclusion from the official PRI ticket. If this was the case, there could be several explanations. One of the most plausible, however, is the thesis that Esquivel wished to force Garzón into the hands of Maldonado and the MIN.

Whether by design or not, the fact remains that on finding he had been excluded as a candidate, Garzon first scurried frantically to force upon the PRI a last minute change of heart. Failing in this, he announced that he would withdraw from the PRI and take his claimed 12,000 odd campesinos of the Liga Agraria Estatal with him.

THE CURRENT SITUATION

It was at this juncture that the MIN came visibly into the picture. All that Garzon had accomplished before had been undertaken, at least overtly, as a disciplined member of the PRI and a supporter of the State and Federal administrations. While it is true that his intent may have been otherwise, the fact that Garzon has, until now, avoided involvement with the Communist Party of Mexico, would seem to substantiate the thesis that even though Garzon collaborated with Maldonado during the latter's term as Governor, he was always careful to steer clear of all extremist groups because he recognized the dangers involved, and he would have been judicious enough to continue doing so, except for the fact of his rebuff by the official party.

Immediately following the announcement of his withdrawal from the PRI, Garzon declared his intention to seek the mayoralty of Mexicali as an independent. After



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some coming and going of MIN leaders, it was reported that Garzón had announced he would be the candidate of the MIN in the Mexicali mayoralty campaign. He later denied having made the statement, and the MIN similarly denied that it would support any candidate, alleging that its members were free to exercise their rights of franchise in whatever manner they might see fit. However, the Alianza de Electores Tibres de Baja California, hastily or ganized to support Garzón, is dominated by PCM/MIN leaders, and the word is out that the HIN supports Garzón.

There could be several explanations for the MIN's desire to avoid open and direct support of Garzón. Since Garzón has not been nominated as a candidate of a legally registered political party, his name cannot be placed on the ballot, and there is no provision for "write in" candidates in Mexican electoral procedures. Garzón cannot, therefore, be legally elected even though a majority of the voters might favor him. Any attempt to vote for him would simply nullify the ballot cast. Since such ballots would not be counted, or at least would not be reported, the MIN would have backed a losing candidate without having gained any advantage that cannot be gained equally effectively by working through the Alianza de Electores Libres de Baja California, which is only an ad hoc organization set up for this one time operation. Thus, Garzón is out of the PRI and working against its interests, but the FIN is not, at least as an organized entity. The MIN reserves its position and maneuverability vis-a-vis the PRI, even to the extent of being in a position to be gracefully integrated or reintegrated into the PRI, should future developments make this move desirable.

Having apparently burned his bridges, Garzon has campaigned against the PRI with vigor. He has centered his efforts on the PRI's outstanding weaknesses and is doing a workmanlike job of exploiting them. His campaign declarations have included the following features:

- (1) The revolution of 1910 was fought to end dictatorships which denied the people the right to choose and elect candidates freely. The imposition of candidates by the PRI is no different from the imposition of candidates by the dictadura porfirista.
- (2) This condition has been brought about by the burguesia who have infiltrated and gained control of the PRI, and who deny the laborer and the campesino any voice in the selection of elective officials who are to represent them.
- (3) The representatives so chosen use their positions to betray the country and the President himself.
- (4) Controlling the economic and political power of the country, these elements enrich themselves at the expense of the population at large.
- (5) When crossed, they resort to false imprisonment of those who dare to stand up to them, or worse, such as in the case of Ruben JARANTLIO, cold blooded murder.
- (6) They grant onerous concessions to foreign monopolies and fail to defend the national sovereignty vigorously, in instances such as the Colorado River salinity problem. And so on, and on, and on....



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Since Garzón cannot be elected, the question arises of why the MIN is aiding and abetting him, and why Esquivel created this Frankenstein who is causing the PRI so much trouble and embarrassment. Only one sensible answer occurs to me; the MIN has a program which is being advanced by Garzón's activities, and Esquivel has been an instrument of the MIN, either willingly or unwittingly, in maneuvering Garzón into the position in which he now finds himself of being irretrievably divorced from the PRI and inextricably involved with the MIN, if he hopes to have any political future. And my contacts who personally know Garzón assure me that his primary motivation for the past several years has been a driving desire to enter the field of first State and then National politics.

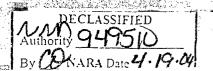
The MIN's immediate objectives have not been apparent to me. Until only recently, I have found my local contacts inclined to brush Garzón's current activities aside as inconsequential despite the fact that he is acknowledged to control a very sizable group of campesinos, and it is readily recognized by most that his current efforts have created a very serious situation for the PRI in this area. Most apparently expect Garzón to be bought off. It is my opinion, however, that it would be disastrous for the PRI to back down at this juncture, and in addition, if Garzón's price is political advancement, as it apparently is, the PRI is in no position to pay this price in the circumstances that exist.

A few days past a well-informed local observer reported to me that he had obtained reliable information explaining the MIN's tactics. I have not been able to confirm this otherwise, but on the face of it, the correctness of the information seems to be supported by the fact that it offers a very plausible explanation of the tactic being executed. According to this source, the MIN has two immediate objectives. First, its leaders wish to obtain funds for themselves and to support future MIN activities. Second, they wish to launch former President Lázaro CARDENAS! son Guauhtemoc, a founding member of the MIN, into national politics. Their price for calling off Garzón is reportedly:

- (1) The granting of a contract to the firm Velasquez-Chavez, Hermanos, which is reportedly controlled by Maldonado and Esquivel jointly, to construct a four-lane toll highway from Tijuana to Ensenada, for which financing has recently been obtained from the IERD, and
- (2) The appointment of Cuauhtemoc Cardenas as "Residente" of the Distrito de Riego del Valle Mexicali, the position from which Esquivel managed to move into the governorship of Baja California.

THE OUTLOOK

The currently developing situation can be expected to take a number of twists and turns during the next few weeks, and I am not close enough to any of the principal individuals directly involved to be able to speculate on the most likely eventuality with any certainty. One thing does seem certain, however. Unless the PRI takes strong, repressive measures, it will inevitably be seriously weakened. And even should there be a disposition to take strong, repressive measures, the consequences would inevitably be most serious, given the fact that a large block of restive campesinos are already very much involved and are undoubtedly becoming



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daily more emotionally agitated over developments. Leaders can be placated, but the masses are not so readily subject to manipulation.

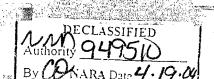
If the MIN's aims are correctly reported to me, and if it is the decision of Mexican officialdom to capitulate, then the MIN will have been placed in an extremely strong position within Baja California and its national position will have been greatly enhanced immediately, while its future prospects will be much improved. In such a situation, it is to be speculated that Garzon would be taken care of within the broad organizational structure of the Distrito de Riego del Valle Mexicali and that he would wield his influence with the campesino element on behalf of the MIN with renewed vigor and ambition. It might be impossible for the PRI to avoid giving Cuauhtémoc Cardenas the Baja California governorship at the end of Esquivel's term, if events follow this general pattern.

If Mexican officialdom stands firm and refuses to bend in the knowledge that its control of the electoral process is adequate to the situation, regardless of other considerations, then Garzón, the MIN and the Liga Agraria Estatal, plus other labor and campesino elements, will have to be dealt with after the August 5 elections. If the MIN and Garzón are as determined as it appears at this time, such a situation would be dangerous in the extreme and would call for massive security measures by the Mexican Army in the entire area. The results of this sort of development, if it should eventuate, could well be more advantageous to the MIN nationally than a capitulation to their reported demands.

Another possibility could be a decision on the part of Mexican officialdom to trade off with the MIN, granting concessions in some geographic and substantive area not immediately affected by present developments. However, this possible course would not answer the question of what to do with Garzón and his campesinos. Garzón is a power in Baja California but not elsewhere. He is smart enough to realize that he cannot allow himself to be separated from his source of power without risking oblivion in very short order. Yet it would seem virtually impossible, given the heat of his present campaign against the PRI, for Mexican officialdom to arrange any even reasonably satisfactory accommodation with him in this area. For a settlement to be reached with the MIN and not with Garzón would be a most dangerous course and would almost inevitably have to involve liquidation of Garzón, or at least his imprisonment. Garzón's campesinos would then have to be dealt with, and this would be a difficult task indeed, in such a circumstance.

Apart from these aspects of the problems that the future can be expected to bring, there is the matter of Governor Esquivel himself. In the present circumstances, Mexican officialdom could not possibly be happy with him. He is either deliberately helping the MIN, which seems to me to be most probable, or else he is guilty of having very seriously bungled his job of taking care of Mexican officialdom's interests in Baja California. If Esquivel is committed to the MIN, then any settlement will have to include provision to accommodate him. If the MIN and Cuauhtemor become officially entrenched in Baja California with Esquivel remaining on as Governor, a very effective beachhead for future MIN expansion into national political activity will have been established.

One reliable informant has reported to me that Esquivel is attempting to take eut insurance against possible future developments. A move in this direction is_______



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reliably reported to have consisted of an offer from Esquivel of \$100,000.00 Mexican pesos to Tijuana mayoral candidate, Ildefonso VELASQUEZ, if Velásquez would sign a commitment to use the money to campaign against Garzón and the MIN. My informant, who is a leading member of Velásquez' campaign committee, informs me that the offer was refused, as Velásquez recognized it for what it was and being satisfied that Esquivel has been delivered into the hands of the MIN, did not wish to give Esquivel anything that he might use in the future in an attempt to convince the PRI that he had been a loyal servant all along. Velásquez is reported to have shared what must have been, to judge from the number who occupied it, an enormous bench which López Mateos occupied during his undergraduate years.

In summary, the situation that has been described herein seems to me inevitably to portend very serious consequences, regardless of the outcome of the complex ma-

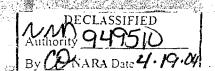
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47 NUMBERE Control: 22631 Action Rec'd: JULY 130, 196 ARA 8:45 PM FROM: MEXICO CITY Info INFO: SS TO: Secretary of State RM/R FILES SR NO: 333, JULY 30, 6 PM G SP L CAP COMMUNIST-DOMINATED NATIONAL LIBERATION MOVEMENT (MLN), LOYAL TO LAZARO CARDENAS, IS ACTIVE IN BAJA CALIFORNIA POLITICS E AIDA. AND APPARENTLY ATTEMPTING LAUNCH CUAUTHEMOC CARDENAS INTO P POLITICAL OFFICE THERE, AS REPORTED TIJUANA'S A-2, JULY 19. IOP IF MLN SUCCEEDS IN MAKING DEAL WITH PRI TO HAVE CUAUTHEMOC INR APPOINTED AS DIRECTOR OF MEXICALI VALLEY IRRIGATION DISTRICT THIS COULD AFFECT SOLUTION SALINITY PROBLEM AND ENCOURAGE INCREASED RMR ANTI-U.S. PROPAGANDA ON PART OF MLN, COMMUNISTS, AND ALFONSO

IF CUAUTHEMOC CARDENAS WERE TO BECOME OFFICIAL CHARGED WITH PROGRAMS AND EXPENDITURES UNDER PROJECTED U.S. LOAN FOR MEXICAL! IRRIGATION IMPROVEMENTS, HANDLING OF PROGRAM WOULD BE QUESTIONABLE AND MLN-COMMUNISTS WOULD PROBABLY BE ABLE MANIPULATE PROGRAM TO THEIR ENDS. MOREOVER, U.S. FUNDS IN IMPORTANT MEXICAL! PROGRAM WOULD CONTRIBUTE TO LAUNCHING CUAUTHEMOC AND HIS COMMUNIST SYMPATHIZERS IN POLITICS ON NATIONAL SCENE.

IF DEPT AGREES WE CANNOT ALLOW CUAUTHEMOC'S APPOINTMENT THIS
KEY POST, REQUEST I BE AUTHORIZED SEND WORD TO LOPEZ MATEOS
THAT SUCH APPOINTMENT WOULD BE SERIOUS OBSTACLE IN CONTINUING
FRIENDLY EFFORTS RESOLVE SALINITY ISSUE AND OUR DESIRE TO HELP
FINANCE MEXICALI PROGRAMS.

RESOLVE SALINITY ISSUE AND OUR DESIRE TO HELP TO PROGRAMS.

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By CONARA Date 4.19.04

GARZON AND HIS CAMPESINO FOLLOWERS.

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Amembassy MEXICO CITY **ACTION:**

Your 333

Department notes information on possible appointment Cuauthemoc Cardenas Tijuana's A-2 based on only one reliable local source. Does Embassy have confirmation from other reliable sources? If so Department perceives no objection if you desire get word Lopez Mateos indirectly and informally that possibility appointment Cardenas concerns us view his leadership in Communist front MLN. Agree such appointment would be serious obstacle not only solution salinity problem but would have serious implications political situation in Baja California.

However suggest approach be put on basis that such appointment would complicate our strong efforts resolve salinity problem, which already sensitive issue with US public and Congressional opinion. Approach suggested last paragraph your 333 seems to carry implied threat that we would cease efforts if Cardenas appointed. Further we do not consider that possible US loan provides basis for approach. Mexico has not indicated it wants US financing. On contrary Mexican Ambassador has stated several times Mexico would not want US financial aid and that Mexico plans finance through IBRD and with own funds. We are inclined believe Mexico may not stick this

position

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ARA - Edwin M. Martin

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Page 2 of telegram to Amembassy MEXICO CITY

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position when it comes time obtain financing, but for present IBRD financing seems to be Mexican choice.

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DEPARTMENT TELEGRAM 418.

EMBASSY HAD CONFIRMATION OF DESIRE CUAUTHEMOC CARDENAS OBTAIN MEXICALI POST THROUGH STATEMENTS MADE PRIVATELY TO FRIENDS BY FATHER LAZARO CARDENAS. WORD SENT BY EMBASSY TO PRESIDENT'S OFFICE ON AUGUST 3 ALONG LINES APPROVED BY DEPT IN REFTEL. TIMING WAS GOOD SINCE MEXICALI MAYORALTY ELECTIONS AUGUST 5 AND PROBLEMS POSED FOR PRI BY COMMUNIST AND MLN BACKED CANDIDATES APPEAR TO HAVE BEEN OF IMMEDIATE CONCERN TO LOPEZ MATEOS.

EMBASSY WAS TOLD AUGUST 6 THAT LOPEZ MATEOS HAD BEEN INFORMED AND HAD EXPRESSED CONSIDERABLE SURPRISE AT NEWS OF CARDENAS PLANS, LOPEZ MATEOS THEN ARRANGED FOR LAZARO CARDENAS, BRIEFLY IN MEXICO CITY, TO COME SEE HIM AUGUST 7. WE HAVE NOW LEARNED THAT AS RESULT LOPEZ MATEOS CONVERSATION WITH CARDENAS IT IS NOW DEFINITELY AGREED THAT CUAUTHEMOC WILL WITHDRAW HIS INTENTION SEEK MEXICAL! OFFICE.

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FROM: MEXICO CITY

TO: Secretary of State

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792, SEPTEMBER 8, 5 PM

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RELIABLE NON OFFICIAL MEXICAN SOURCE ON SEPTEMBER TOLD ME HE WAS AUTHORIZED BY PRESIDENT LOPEZ MATEOS TO INFORM ME THAT MEXICO HAD BEGUN CONSULTATIONS WITH BRAZIL ON THE QUESTION OF WHETHER BOTH COUNTRIES SHOULD BREAK RELATIONS WITH CUBA. THIS FITS WITH THE CRYPTIC STATEMENT MADE TO ME SEPTEMBER 7 BY BRAZILIAN AMBASSADOR AT HIS INDEPENDENCE DAY RECEPTION THAO TELLO HAD SPOKEN WITH HIM ABOUT SERIOUSNESS OF ARMS BUILD-UP IN CUBA. MY SOURCE MADE IT PLAIN THAT NO DECISION HAD BEEN REACHED.

IF DEPARTMENT AGREES WITH LINE TAKEN IN MY PERSONAL CONVERSATION AS REPORTED EMBTEL 740 SUGGEST SECRETARY RUSK TAKE EARLIEST OPPORTUNITY TO TAKE SAME LINE WITH CARRILLO FLORES.

WE SHOULD UNDERSTAND THAT MEXICO IS GIVING CONSIDERATION TO BREAKING WITH CASTRO REGIME NOT BECAUSE OF ANY STRONG ANTI-COMMUNIST COMPUESION WITHIN PRI PARTY CIRCLES HERE OR BECAUSE THEY UNDERSTAND OR ARE DEEPLY CONCERNED ABOUT COMMUNIST THREAT TO HEMISPHERE. NOR WOULD I DEDUCE FROM FORE-GOING THAT THERE HAS BEEN ANY CHANGE ON THEIR OPPOSITION, BASED ON WELL-KNOWN JURIDICAL GROUNDS, TO COLLECTIVE OAS ACTION.

WHAT BOTHERS MEXICAN GOVERNMENT IS POSSIBILITY MEXICO MAY BE CAUGHT IN ISOLATED POSITION OF APPARENT FRIENDSHIP FOR CUBA IF THERE SHOULD BE SHOWDOWN BETWEEN UNITED STATES AND CUBA IN

FUTURE

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SANITIZED E.O. 12958, Sec. 3.6 NLK+977-19

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-2- 792, SEPTEMBER 8, 5 PM FROM MEXICO CITY

FUTURE. EMBARRASSMENT WOULD BE MORE AQUTE IF MEXICAN PUBLIC SHOULD
BE TOLD OF EYIDENCE
WHICH BOTH UNITED STATES AND MEXICAN GOVERNMENTS HAVE
CONCERNING CUBAN INTERMENTION IN MEXICAN AND GUATEMALAN INTERNAL
AFFAIRS.

DEPARTMENT APPROACH TO CARRILLO FLORES WOULD BE MOST EFFECTIVE IF CARRILGO FLORES GETS IMPRESSION WITHOUT OUR SAYING SO EXPLICITLY THAT EVENTUAL SHOWDOWN WITH CASTRO IS A POSSIBILITY REGARDLESS OF WHAT DEPARTMENT'S CURRENT ESTIMATES ACTUALLY ARE THIS WOULD SEEM TO ME TO BE CONSISTENT WITH SECRETARY RUSK'S RECENT STATEMENT TO LATIN AMERICAN DIPLOMATIC CORPS THAT UNITED STATES HOPES FOR COLLECTIVE ACTION BUT MUST ALWAYS CONSIDER ITS RESPONSIBILITY DEFEND UNITED STATES AND WITH ASSISTANT SECRETARY MARTIN'S QUINCY SPEECH.

IN SUM, OBJECTIVE WOULD BE TO EXPLOIT MEXICAN CONCERN THAT WITH BRAZIL SHE MIGHT BECOME ISOLATED FROM INTER_AMERICAN COMMUNITY AND FEAR THAT ULTIMATELY UNITED STATES PUBLIC OPINION MAY TURN AGAINST MEXICO BECAUSE OF THIS ISSUELS BY TIME WHEN MEXICOTMAY NEED US BADLY.

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Note:Mr Richardson (ARA) informed 9/8 FMH

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	Piedras Negras, Tampico, Tijuana, Veracruz
SR COM FRE	FROM AmEmbassy, Mexico, D.F. DATE: September 13, 1962
AT BAJ TA	
AT LAS TAI	SUBJECT: Implications of President Kennedy's Visit to Mexico
TE XMB AIF	REF
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10	SUMMARY
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Ratian-Mea	
	evaluation of some of the more striking effects of the visit, particularly
ار در از ونسخ و بط	with respect to a) the Mexican Government's reaction to the warmth of
	the welcome accorded the President and Mrs. Kennedy; b) factors to be considered with respect to their attending mass at the Basilica of
	Guadalupe; and c) the implications of the visit for certain aspects of
	U.S. and Mexican policy.
	In summary, the Embassy believes that the following conclusions
	about the Presidential visit can now be made:
	1. The Mexican Government appeared surprised but pleased
1 1 1 1 1 1 1 1 1 1	at the size and warmth of the reception accorded to President
BEN	and Mrs. Kennedy by the Mexican people.
	2. As a result of the visit, the atmosphere in which relations
N 15 12 12 12 12 12 12 12 12 12 12 12 12 12	between the two countries are conducted appears to have
4R/	become somewhat more cordial.
E.O. 12958, Sec. 3.5 Liggsoment of State Grades By MMK_NARA, Date J	3. The Communist failure to mar the Kennedy's visit has
60	underlined the splits and weaknesses within the Mexican
3.5(b)	Communist movement, and has caused the Communists
	perceptible discomfort.
19	4. Although
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Drafted by:	RWAdams/HEBergold:mwa
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- 4. Although there is some reason to believe that the Mexican Government may tolerate an increase in anti-Communist domestic activity as a result of the visit, it appears equally possible that the Government may consider it necessary to show an increased friendliness toward individual Communists and pro-Communists who were displeased by the visit.
- The extent to which basic United States-Mexican relations will be improved as a result of the visit will depend to a considerable degree on the extent to which satisfactory solution can be found to the problems discussed by the two Presidents, especially to the problem of salt water in the Mexicali valley and to the Chamizal dispute.
- 6. Developments since the visit indicate that Mexico is no more disposed than it was during the visit to change its basic position regarding Cuba.

THE WARMTH OF THE WELCOME

The Mexican Government spared no expense or effort to assure that the President and Mrs. Kennedy would have an unusually cordial reception. Government, labor, student, and civic groups were effectively organized to line the route of march from the airport to downtown Mexico City on June 29. The Ministry of Gobernacion demonstrated that it was able to spot and control Communist and pro-Communist persons and groups to an extent never before observed in Mexico and undoubtedly surprising to local Communists. Perhaps the most significant part of the Government's effort to prevent leftists from spoiling the welcome was its use of the strongly anti-Communist Frente Civico Mexicano de Afirmacion Revolucionaria (FCMAR), led by ex-Presidents Miguel ALEMAN and Abelardo RODRIGUEZ. At the request of the Government, the Frente Civico supplied thousands

of its members

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of its members and sympathizers to be duputized as special security agents along the march route. The use of the Frente Civico must have been unpalatable to the Communist Movimiento de Liberacion Nacional, of which Lazaro CARDENAS is the principal figurehead and to the pro-Cardenas members of the Partido Revolucionario Institucional (PRI) who place themselves on the left of the broad political spectrum which characterizes Mexico's dominant political party. The Government, however, was apparently quite willing to take the political risk involved rather than chance unpleasant incidents during the President's visit.

In fact, no such incident took place. The million or more Mexicans who were on hand to greet the Kennedys - although in large part recruited and placed along the June 29 march route under careful Government organization - produced the largest, warmest, and most sincerely friendly reception ever accorded a foreigner in Mexico. Perhaps of even greater significance is the fact that hundreds of thousands of cheering Mexicans voluntarily assembled along streets President Kennedy was expected to pass, often waiting many hours, to give him and Mrs. Kennedy a warm welcome. Unlike the initial welcome to Mexico City on June 29, none of these subsequent demonstrations of friendship during the visit were organized by the Government. The spontaneity and warmth - qualities not susceptible of being "organized" - of the crowds suggest that friendliness and respect for the United States among the mass of the Mexican people are greater than some persons have previously felt. It should be noted that the vast majority of Mexicans, both middle class and humbler people, are themselves not "anti-American", although many of them, particularly the less educated, are susceptible to agitation or propaganda against the United States directed by extreme leftist or supra-Nationalist leaders. Distrust and envy of the United States is found largely in so-called intellectual circles, and among many university students and others of higher status in this country.

During the past weeks, there has been considerable speculation about how the Mexican Government (Lopez Mateos, his advisors,

and his Ministers)

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and his Ministers) interpreted the reception given the Kennedys. Not infrequently one has heard that President Lopez Mateos was shocked by the crowds and that he somehow saw in their approbration of the Kennedys a repudiation of himself, his administration, and its policies. In the Embassy's view, those who espouse this line of reasoning are mistaken.

It is certain that Mexican Government officials were impressed by the initial reception and by unplanned popular demonstrations as the visit progressed, but, after all, this is what they had wanted. If the cooperation of the Mexican people was greater and more spontaneous than expected, so much the better. Inasmuch as Lopez Mateos and members of his administration were included in many of the events where crowds came to cheer, they shared in the crowds approval and quite naturally saw in the welcome a Mexican vote of confidence for Lopez Mateos and his "national unity" program, as well as for the PRI. Mexican leaders, then, were surprised but pleased by the reception which they believe aided in achieving what was, from Mexico's point of view, one of the most important aims of the visit, namely a keener appreciation on President Kennedy's part of Mexico and its people. Even the President's act of good will in agreeing that the two governments seek a solution to the Chamizal question has been viewed in the Mexico City press as concrete evidence that the U.S. now has a leader who understands Mexico.

This image of an American President who is sympathetic toward Mexico and its problems would probably have been less sharply defined were it not for the strong personal impact that the Kennedys made on Lopez Mateos and his advisers. It is reliably reported that Lopez Mateos has remarked on several occasions since the Presidential visit that it took less than five minutes in the first series of conversations between himself and President Kennedy for him - Lopez Mateos to become aware that President Kennedy was very much the same kind of person as he, with the same basic approach to the problems confronting them both as chiefs of state. Similarly, no Mexican face was brighter on the occasion of Mrs. Kennedy's tremendously well received

speech in Spanish

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speech in Spanish on June 30, than was Lopez Mateos'. So evident was Lopez Mateos' personal delight with his guests that he must have been more than satisfied with the reaction of the Mexican crowds, especially as there was a real political dividend for him in their cheers.

MASS AT THE BASILICA:

The attendance of President and Mrs. Kennedy at mass in the Basilica de Guadalupe was the emotional apex of the visit as far as the Mexican public was concerned. News of the President of the United States worshipping at the shrine of the "Virgen Morena", venerated as Mexico's "national miracle" even by nominal or "anticlerical" Catholics in this country, has reached every corner of the Mexican countryside. The event has made so deep an impression that it is certain to be long remembered. Every aspect of the Presidential visit created good will for the United States, but the attendance at mass at the Basilica was such a huge success that it deserves to be discussed separately.

President Kennedy's attendance at mass at the Basilica, the one church in Mexico where religion and nationalism are intermixed, served to blunt anti-clerical criticism. Had President Kennedy gone to a parish church or to the Cathedral, this would, in the eyes of many Mexicans, have had only a religious aspect without any reference to Mexican history or culture. As it was, all Mexicans, whether or not they are anti-clerical, appreciated the significance of the Kennedys' presence at the Basilica. Because most Mexicans believe that the Lopez Mateos administration approved, and arranged for, the mass at the Basilica, despite announcements this was not part of the official program, Lopez Mateos garnered wide praise from unfamiliar, and often openly critical, quarters for this apparent evidence of endorsement of religious freedom.

Whether or not the Roman Catholic clergy, a minority of whom are frankly considered by political observers as seventeenth-century

activists

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activists still fighting the hundred-year-old Constitutional Reforms of Benito JUAREZ, may feel that the demonstration of popular support on July 1 at the Basilica will strengthen the Church in pushing the Government harder on religious and anti-Communist issues remains to be seen. The recent appearance of a strong pastoral letter against Communism and the widely publicized attacks from the pulpit of a priest against Lazaro Cardenas in the latter's home state of Michoacan have led some speculation in this regard, but this simply illustrates the current tendency on the part of many Mexican political observers to scrutinize each local development for a possible relationship to the visit of President Kennedy.

THE IMMEDIATE RESULTS OF THE VISIT:

Officers at the Embassy and in the Consulates have reported that their dealings with Mexican counterparts have been eased in many instances in the wake of the good feeling left by the Presidential visit. It also appears possible that the Mexican Government now may be willing to permit a limited amount of anti-Communist domestic activity. The use of the Frente Civico during the visit and the designation of Ezequiel PADILLA, one of the leaders of the Frente, to be Lopez Mateos' representative at the inauguration of the President of Colombia are indications that anti-Communist groups may expect some freedom of action as long as they maintain a circumspective attitude and do nothing to threaten "national unity", that basic singleness of action on the part of all political groups which Lopez Mateos and the PRI consider essential to Mexican stability and progress.

On the other hand, late August and early September have brought certain indications that Lopez Mateos may believe that the need for unity in the face of the 1964 Presidential elections demands that the administration show an increased cordiality toward elements of the Left that were displeased with the visit.—Cases in point are increased contacts between Lopez Mateos and Cardenas, including the participation of Cardenas in the official Presidential party at the inauguration of electric power facilities at Cupatitzio, Michoacan.—This has allowed the pro-Communist press to contrive an "alliance" between the two

for public

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for public consumption. Other indications of Lopez Mateos' appearement of the Left is the appointment of Javier ROJO GOMEZ, a Cardenista, as head of the Campesino sector of the PRI, and the clear implication in Lopez Mateos' State of the Union address on September 1 that Mexico will continue relations with Cuba and oppose collective action against Cuba by the OAS.

The Communists lost face, however, both among themselves and with the public, when they failed to mount a single incident or demonstration against President Kennedy during the visit. The impression of disunity and political impotence in the Mexican Communist movement was brought home by the provision to it by the Soviet Embassy of large sums of money to disrupt the Presidential visit, with nothing of any substance being accomplished in this connection. The Cuban 26th of July anniversary celebration and the planned demonstrations for artist David Alfaro SIQUEIROS, imprisoned Mexican Communist, on July 31 both passed without the Communists taking to the streets in the apparent fear of an inclination on the part of the Mexican Government, and the ability of Gobernacion, to thwart them.

Many Mexicans believe that President Kennedy's visit, and particularly what they regard as his endorsement of the goals of the Mexican Revolution, has contributed toward restoring international confidence in Mexico and, in so doing, reinforced the political position of Lopez Mateos. They also feel that the Presidential visit demonstrated a clearly defined interest on the part of the United States in Mexico's continued prosperity, and hopes have been aroused, not only in the public, but also in official circles, of increased financial assistance, both public and private, from the United States and of our intention to settle favorably for Mexico the Chamizal dispute and the current Colorado River Salinity issue. These two problems are regarded by Mexican officials as the outstanding political matters at issue between the two governments, and an acceptable solution regarding them will, in their eyes, be the acid test of the greater cordiality in bilateral relations arising from President Kennedy's visit.

For the Ambassador:

Robert W. Adams
Counselor of Embassy

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		on. He said he h	ad little to ad	d on facts he h	ad described	
	Latin America	n Ambassadora Ir	ı response qu est	ion he said wea	oons received	
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The course had no intention permitting weapons move out of Cuba to other

Latin American countries.

Secretary said we had to recognize that Castro regime could not be forextended period permitted continue in Hemisphere recognize that Castro regime could not be forextended period

as Foreign Ministers had said at Punta del Este. He said US concerned about

Cuban espionage activities, large number of Latins receiving training in Cuba.

the furnishing of funds from Cuba for activities in other countries. He noted

serious preoccupation of the people in the U.S. and other republics. He said some might consider feelings irrational, but that US Government had to deal with fact

this feeling existed. Ambassador said his own experience confirmed to him

most street to the confirmation of the confirmation

Speech anywhere without question arising. Secretary said in explaining feeling serious are to be structured in the second serious and the second serious serious and the second serious seriou

participated in Cuban trade.

Secretary said IS believes there is in fact an extra-continental surer-

other countries. We consider Castro-Communist scrivity deeply antaconistic of only 1662 Charter but to values and systems of each of the Republics.

He urged Ferice review its position on Cuba and give most solemn considers in

Mexico's own interest; to views of Mexico's neighbors who lock to her lor

leadership, to Mexico's commitment in Hemisphere, to what Cuba really means to Mexico and Hemisphere, etc.

Secretary said he did not want to suggest say specific Sters to Mexico.

He felt certain these would occur to Mexico as it studied problem. He said

Hexico's neighbors are preoccupied by the sarge number of their citizens as who are passing through Mexico enroute to Gube. Fact Mexico being so uses is disturbing to them and they are Crustrated in dealing with problem with

notes Merican albine provides per or sold provides de said US leels dis Seaga should be Espa en seribben. Shevice Merauses sould not alfore se

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istentile chames originally a a light to the selections.

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Surveillance over Cuban diplomatic and consular personnel in Mexico. Ambassador surveillance over Cuban diplomatic and consular personnel. Secretary said he referred to Cuban diplomatic activities only as point which Mexico might want to consider. Maybe such activities could be controlled by limiting number Cuban personnel in Mexico.

Secretary emphasized again that he was not proposing or asking for any specific action but did want to suggest Mexico earnestly explore what was in its own best interest and that of the Hemisphere. Ambassador inquired whether sense of Secretary's remarks was that Mexico should show it is preoccupied and not indifferent to problem. Secretary hoped Mexico could go further and show that it was deeply concerned. He said Hemisphere leaders had to look forward and see where continuance of present situation would lead. He noted that this is first time that people now living have had to deal with problem vicious form in hemisphere.

Intervention/ Secretary said he thought everything should be done isolate Guba and was alraid Mexico pot conveying impression of solidarity.

Amossador said that he had not previously been confronted with so difficult and complex problem in Us-Merican relations. He thought it was political and not military problem. He understook Secretary to be bring Mexico consider how.

14 could beet establish that it had sense of solidarity with other republics on their said and the said and th

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solution that would not becomerang. Mexico was limited by own political situation and upcoming Presidential HEIM election. AIM seeking avoid open fight between extreme left and right. Steps by Mexico on Castro regime therefore would have serious political consequence. Thus AIM had to make concessions first to right then left in order maintain harmony. Noted Mexico's relations with Spain concession to left. Assistant Secretary Martin suggested AIM might consider making concession to right on Cuba.

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Secretary said problem for US is not just political or one of public opinion in US or Congress. In real sense it involved future Cuba and Hemisphere. Guba is first point of confrontation with Soviets in Hemisphere. He noted US has million men on duty outside US with casual ties a weekly occurrence.

Secretary said Soviets investing XXXX \$100 xilkion annually in Cuba.

He noted Soviets not investing this for Cuba alone but with thought Cuba bridgehead to rest of Latin America. If American republics could demonstrate that investment will not pay off Soviets might reconsider value of Cuba because Soviets cannot afford such an investment on Cuba alone.

Ambassador inquired as to possibility meeting between Kennedy and Khrushchev

KHASASI and whether Cuba would be discussed. Secretary indicated he thought not because Soviets would link Caba to Turkey or some other spot. Hartin instead that agreement by IS discuss Cuba with Soviets would be in keeping thrustes; view that Monroe Doctrine is dead.

Khrushchev

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son, Cuauhthemoc, to his official party, while dropping Aleman from a ceremony in what is practically Aleman's "home territory" (the Puebla-Veracruz border area); (c) the "election" of Javier ROJO Gomez, long-time Cardenista and member of the Movimiento de Liberacion Nacional (MLN), as Director of the powerful Confederacion Nacional Campesina (CNC) (A-332, September 11); and (d) the announcement included in Lopez Mateos' annual Informe of September 1 to the effect that firms mining coal in Mexico under a 1930 law but without more recent, and more restrictive, Government concessions (which require that 66 per cent of any coal-mining firm be owned by Mexican nationals) must now apply for such concessions (A-299, September 4, and A-382, September 14). The decree on coal mining was apparently aimed largely at the American Smelting and Refining Company and jeopardizes the investment of that firm in Mexico.

These maneuvers to the left, both in the economic and political fields, on the part of Lopez Mateos represent what appears to be a general leftward drift characteristic of the present administration. It is true that at times Lopez Mateos and his government make subtle moves (but rarely public statements) designed to appease the more conservative elements of Mexico, even including actions that give the appearance of favoring the anti-communist Frente Civico, headed by Aleman and Abelardo RODRIGUEZ (A-349, September 13). Such moves, however, are always carefully negated by counterbalancing maneuvers and public statements attractive to the political Left and pro-communists. This sort of zigging and zagging is perhaps natural to Lopez Mateos, who sees in such counter-balancing the source of his unchallenged leadership, essential to keeping the diverse elements of the Partido Revolucionario Institucional (PRI) firmly within the one-party machine and personally loyal to him.

There seems little question, however, that this elaborate system of see-sawing to minimize any meaningful challenges to himself and the PRI does not, in fact, represent a real "central" balance, but rather a continued drift leftward. This drift to the left

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is more perceptible in the economic and social fields (i.e., in the undoubted move toward increased public-sector industrialization, and in greater control over, and tharassment of, private enterprise) than in the political arena, where in the absence of meaningful political debate, only subtle and ever-changing personal relationships are the clues to the ideology of the Lopez Mateos administration. Mexican nationalism, always intense and, indeed, chauvinistic, and particularly economic nationalism, rooted in vague but, among Mexican politicians, unassailable "ideals" of the Mexican Revolution and itself inclined toward the Left, is the framework within which Lopez Mateos operates. He and his administration regard, in fact pride, themselves as being the government most dedicated to "social reform" and "public sector planning" since that of Lazaro Cardenas, and Lopez Mateos is known to hope his record in these Revolutionary sectors" will surpass that of Cardenas.

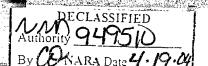
MEXICAN ECONOMIC NATIONALISM

Nationalism in all of its forms, but particularly economic nationalism, is, in the eyes of the PRI and the current administration, the unifying political force in Mexico. The continuing "Revolution", to whose well-established "social reform" principles all politically ambitious Mexicans must adhere unquestioningly, is the focus for Mexican nationalism. The "Revolution", moreover, provides all the necessary mythology to support Mexico's one-party, highly centralized Government which, above all, alleges it is dedicated to alleviating the lot of the great mass of a backward, under-fed, poverty-stricken population.

The "Revolutionary Governments", as the administrations since the Revolution have been called, have to a greater or lesser degree, depending on the presidential incumbant, been impelled along the road of economic planning to secure "social justice" for the masses. They have evolved a doctrine of "state-ism", professing that the state on behalf of the people must itself bring progress

to Mexico

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to Mexico and that, inferentially, private enterprise, especially foreign investors, cannot be trusted to work patriotically toward Revolutionary goals. Official economic thinking is certainly influenced by leftist politicians, so-called social reformers, and university-trained Marxists, but it stems in large measure from ingrained and inherently Mexican fallacies about "economic independence", mistrust of private capital, and the need for ever-expanding public-sector control of the economy to fulfill the goals of the Mexican Revolution.

Under this dominant mythology, the image of private enterprise in the society has inevitably been tarnished. Private capital has been thought by bureaucratic Revolutionaries to be subservient to foreign "imperialism", a tool of the Church and arch-reactionaries, both of which offer a direct challenge to the Revolution. Partly because this official attitude increases the risk for investment capital, the private sector in Mexico, traditionally out for a "fast-buck", has looked for investments with a quick turn-over and inordinately high profit possibilities and has, therefore, contributed to a vicious circle of continued government intrusion and private-sector chicanery which has done little to enhance the latter's public posture. Mexican politicians have therefore found it easier to press for increased emphasis on public-sector control of basic activities regarded as too essential to the economy to be trusted to private enterprise.

While there is no question that the private sector of the Mexican economy will continue to exist, the policy of "Mexican-ization" under which 51 per cent of all new investments will ideally be in the hands of Mexican nationals, the continued government regulation — indeed harassment — of private investment, and the comparatively more rapid expansion of the public sector cast some doubt as to the long-term prospects for investor confidence and private-sector growth. The challenge to the private sector is particularly pointed because of the methods used by the Government to expand its control over the economy. Expropriation, direct or indirect public participation in a broad range of industrial,

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service, and primary production activities, and the continued Mexicanization demands on U.S.-controlled investments, already being done through "squeeze plays" by which unscrupulous Mexican politicians obtain a piece of the investment for themselves or their associates, are practices that can be expected to continue.

The goal of investment designed to achieve import substitution -- much of which investment is programmed for public-sector control -- and aimed at an almost pathological ambition to attain a favorable merchandise trade balance motivates much of official Mexican economic thinking. This situation will undoubtedly continue to dampen the prospects both for U.S. investors who face the 51 per cent Mexicanization problem coupled with government controls and for U.S. suppliers who may encounter some shrinking in demand in their Mexican markets, although not nearly so much as Mexican economic planners hope for.

Direct actions which U.S. investors can expect have been underlined recently by (a) the cancellation of the coal-mining concessions in which the Government showed itself willing to repudiate its own earlier laws to support a new drive toward Mexicanization and an increasingly centralized control of the industry, and (b) some expropriations of agricultural lands owned by U.S. citizens which may be the opening of a new program of land distribution, particularly affecting holdings by U.S. citizens in northern Mexico, and designed to meet growing agricultural and ejido problems of increasing political importance to the Lopez Mateos administration with the approach of the next presidential election.

THE EASE OF MOVING LEFT

Given the Revolutionary catechism on which Mexican nationalism is based and in which Mexican politicians are schooled, it is to be expected that such politicians will find themselves inclined to look toward the Left in seeking solutions to Mexico's problems. Lopez Mateos himself is certainly drawn in this direction and, if he were to find it possible to free himself from

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political and economic realities, might well be expected to move even farther to the Left. There is, among many Mexican politicans, a feeling that Mexico's future -- and theirs -- lies in moving to the Left. It represents for these men an area in which they believe they can best work for the extension of Revolutionary maxims, presumably to the benefit of larger and larger numbers of the poorer classes for whose improvement they publicly hold themselves to have assumed responsibility.

In the eyes of these Revolutionary politicians, the "Right", as they call any conservative trend, admittedly sometimes manipulated by extreme elements, is clearly past, and unhappy, history. Most solutions of a conservative nature designed to meet Mexican problems evoke memories of historical persons or institutions still regarded as arch-enemies of the Revolution. For the practical politician, however, the Revolutionary mythology will permit some minor appeasement of the so-called Right so long as the Revolution itself is in a dominant position. All claims that the "Right" has changed and developed a social conscience are, in ruling political circles, completely disbelieved and easy to reject with the familiar attack words, "reaction" and "imperialism".

Nonetheless, practical politics in Mexico, of which Lopez Mateos is an artful practioner, does require of a politician that he adopt a "zig-zag" course in order to prevent irreparable schisms from occurring in the one-party structure. This means that a successful administration must carefully balance off, and cater to, both wings of the PRI, which represent "the extremes" within the statist and nationalistic framework of the Mexican Revolution. It is important for us to realize, however, that these "extremes" are not too far apart, that in spite of their differences they are concerned primarily with keeping their ever-winning party intact, and that, the so-called Right itself being left-of-center by our terms, the entire "spectrum of extremes" within the PRI and the government ranges only from the mildly to the extremely Left.

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It is with this background that the Lopez Mateos' most recent zig to the Left is viewed by many observers of the Mexican political scene. Most of the maneuvers to the Left executed by Lopez Mateos recently have had to do with Lazaro Cardenas, chief figurehead of the Communist-dominated MLN, and living symbol of leftist-nationalism. Although Cardenas' stature as a public figure diminished during 1962, largely because of the appearance of many young and ambitious politicians since his time of power, almost a generation ago, Lopez Mateos has recently taken steps, the result of which is to lend renewed prestige to Cardenas. The inclusion of Cardenas at the inauguration of electrical power facilities at Cupatitzio, Michoacan on August 14 and at Mazatepec. Puebla, on September 18 (excluding Cardenas' arch-rival, Miguel Aleman); the reports of continued meetings between Lopez Mateos and Cardenas at Mexico City; the generally favorable public opinion arising in connection with Cardenas' honest and efficient handling of the multi-million dollar Rio Balsas project which he heads; and the appointment of the Cardenista Rojo Gomez as Director of the highly important Campesino sector of the PRI, all illustrate Lopez Mateos' recent tacking to the Left.

On the foreign policy side, Lopez Mateos indicated in his Informe of September 1 that it is Mexico's intention to continue recognizing Castro Cuba and to oppose collective action against Cuba by the OAS. Clearly, Mexico will continue to take refuge in juridical interpretations of applicable treaties to hinder action and to seek continued non-intervention with respect to Cuba. This action, again for the benefit of Mexican domestic Left, is taken in the face of actual provocation by the Cubans -- some of it very recent -- and of knowledge in high quarters, and in the hands of Lopez Mateos himself, of Cuban subversive activities within Mexico.

There is, perhaps, no fully satisfactory explanation of why Lopez Mateos took another step to move Mexican policy on a zig to the Left at this particular time. It would appear, however, that the publicity which has accrued personally to Miguel ALEMAN

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and to his anti-Communist Frente Civico during 1962, the natural dividend presented to more conservative groups by the success of the Kennedy visit (with its consequent "imperative" that Lopez Mateos prove that, while a gracious and friendly host, he did not "sell out" to the United States), and the need, before the presidential elections of 1964, to weld firmly into the ranks of the PRI the agrarian sector and other areas in which Lazaro Cardenas enjoys great popularity, have all played a part in Lopez Mateos' decision that this was the proper time to make a counter-balancing move to please the Left.

IMPLICATIONS FOR U.S. POLICY

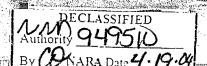
In the light of the long-term Mexican force of economic nationalism and of Lopez Mateos' most recent maneuver to the Left, the question arises as to what effect United States policy has or can have on the direction and intensity of Mexican political and economic decisions.

On the economic side, whenever the Mexican Government to some extent loses confidence in itself (as in 1961) because of the diminished investment and economic growth, it tends to reduce its pressure on the private sector and curtails its own ambitious plans for increased State control of the economy. Reasonable statements by government officials begin to appear in print minimizing the effects of Mexicanization and assuring foreign private capital of its welcome acceptance by Mexico.

No sooner, however, than foreign private and public investment is renewed, stand-by credits drawn down to support the peso, or a limited repatriation of flight capital occurs, than the Mexican Government feels itself in a position to indulge its predilection toward "state-ism", expropriation, nationalization, centralized planning, and control. If the Embassy's foregoing analysis of the comparative ease with which the Mexican Government moves Left is a correct one, it follows that external capital assistance, whatever

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permanent benefits it may provide for the economy, tends to reduce, at least temporarily, the economic problems which inhibit and restrain those leftward tendencies which are a basic element of the Mexican political scene.

The most important factor in that political scene in the immediate future is the forthcoming presidential election (1964). With a change in administrations so close and the hangover of the economic recession of 1961 only slightly abated, investors can naturally be expected to take a "wait and see" attitude for the remainder of this year and 1963. During that time, it can be expected that certain names of possible presidential candidates will be put forward in a sort of "litmus paper test" characteristic of Mexican politics. Those put forth earliest will be eliminated while the serious contenders wait in the wings for the proper time to move forward. In this process it can be expected that some or all of those aspiring to the candidacy may make statements or take actions which run counter to our interests, just as Lopez Mateos apparently sees the present time as a correct one for a maneuver to the Left. International Communism will certainly play a part in such activities, and the significance of Communist influence must never be underestimated. The main driving force toward the Left will, however, as in recent years, be the Revolutionary political requirements, as interpreted by Lopez Mateos and his would-be successors, of pursuing a course "independent" of United States' influence, negative toward private enterprise, particularly foreign concerns, and palatable to leftist elements which claim to control "intellectual" and campesino voting power.

For the Ambassador:

Robert W. Adams

Counselor of Embassy

Ofer W Adams

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R CO	M FRB	FROM : Amconsul TIJUANA DATE: September 24, 1962
r LA	B TAR	SUBJECT: Recent Developments - Garzon and the Movimiento de Liberación
XMI		REF : Our A-7, August 24, 1962, and our A-2, July 19, 1962.
AY CIA	E VYAN	
10		Although local elections in Baja California came off on August 5, 1962,
2 USI.	NSA 3	without overt disturbances, there were apparently a variety of undercover maneuvers by the Partido Revolucionario Institucional and Federal officials
	V-MEG	in the State with accompanying stresses and strains on all concerned. While
		I have not yet been able to find out just exactly what went on, I have been able to obtain some information worth reporting.
oonsists of		of elections was apparently due to multiple factors. Various knowledgeable local sources report that a combination of the carrot and the stick was used to dissuade Garzón from going through with his announced plans to raise a serious issue with the PRI over the elections. Although I have no confirmed information about the "carrot" portion of this operation, I have been informed by a highly reliable source in a position to know, concerning the "stick" aspect of the matter. This source states that a very high ranking Mexican military officer was dispatched to Mexicali only a few days prior to August 5 to "reason" with Garzón. Federal troops in sufficient strength to back this officer up were dispersed in the Mexical Valley prior to a confrontation with Garzón. My source, who was present at the confrontation, states that Garzón was given a choice of: (1) either quieting down and fading into the background or (2) becoming matternal figure in Mexico, along with Rubén JARAMILLO. Garzón chose the first alternative, after some hesitation, being persuaded by the assufance that in his case, he would be martyrized by hanging rather than simply being shot. Although I do not know what inducement was used to quell the fervor of the MLN, the organization's enthusiasm has unquestionably been dampened, at least for the time being. After stating that he could not give me
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details concerning methods, an excellent source in a position to know assured me that a program to contain the MLN in Baja California had been evolved, and orders for its execution had been given directly from Los Pinos to appropriate military authorities in this area. When I inquired whether the Mexican Military could be counted on to execute any drastic program against General Lázaro Cárdenas' party, I was informed that there could be no question about this. He mentioned that just to be on the safe side, however, a national program of screening the Mexican armed forces for MIN sympathizers was already well underway, and some MIN elements within the armed forces in this area had already been removed from the rolls. I do not know whether he referred to officer or enlisted personnel.

nhedy W. Crocket Consul General

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TR XN	мв	AIR	Iguala, Guerrero	10162
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OSD US	i A	NSA	An armed attack on the City Hall in Iguala (a	fairly important
12 8		3	town in northern Guerrero, a few hours drive from	Mexico City on
	7	150	the highway to Acapulco) took place in the early mo	
			December 31. The attackers were members of the Guerrerence (ACG), a state-wide political opposition	
			unsuccessfully ran candidates against those of the	
			Partido Revolucionario Institucional (PRI), in the re	ecent elections in
			the State of Guerrero. The attack was designed to	
			candidates from assuming office on January l, and defeated ACG gubernatorial candidate, Jose Maria	
		1	the defeated Iguala mayoralty candidate, Andres LO	
			the state leader of the ACG, Jenaro VAZQUEZ Roja	as. These men and
			their supporters, reportedly as many as 200, in ad	
			dozen renegade municipal police (henchmen of outgo SALMERON), very soon ran into trouble, as Mexic	
			were already in position awaiting an attack.	
			The Army had already been reinforcing its un	•
•			of the State of Guerrero for some days upon the req Attorney General who expected trouble in that long	
	•		politically corrupt State. The attack was squashed	
			at lease seven killed and a dozen or more wounded,	almost=all being
		l	ACG members. Lopez Velasco and Suarez Tellez v	
			are being held, along with over 150 others believed	
			L .	the ACG
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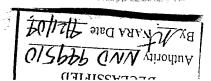
the ACG (including the renegade policemen), for investigation by the Federal Attorney General who has already sent a large number of agents to take over the case in Guerrero. Jenaro VAZQUEZ, reportedly wounded, escaped and is the object of a state-wide search. On January 1, outgoing Mayor Salmeron turned over office to his PRI successor, Gilberto MOTA Lazos, prominent local businessman, and was immediately thereafter placed under arrest as one of the "intellectual authors" of the abortive uprising.

Salmeron, not elected but appointed to office two years ago on the heels of another political scandal in Iguala, is a long-time member of Lombardo Toledano's communist party, the PPS, although recently holding himself to be a loyal member of the PRI. Suarez Tellez, also long active in the PPS and Communist Party, is now a member of the 29-man national committee of the communist-controlled Movimiento de Liberacion Nacional (MLN). Jenaro Vazquez, who may be connected with Lazaro Cardenas' close friend and former Cabinet Minister of the same name, is known to have been detained temporarily two years ago as a communist during a security round-up connected with President Eisenhower's visit to Acapulco.

It seems fairly clear that the ACG is one of the local state parties or "civic groups" being developed by the MLN to oppose the PRI at the municipal and state levels while itself continuing to claim that it is simply a "civic organization" loyal to the PRI without any desire to become a political party. It will be recalled that the MLN quietly supported Alfonso GARZON, the Mexicali area agrarian demagogue, in his bolting the PRI and running, although unsuccessfully, for the mayoralty of Mexicali in opposition to the PRI.

Unlike recent incidents and abortive uprisings elsewhere in the country (notably in Oaxaca and Michoacan -- see Embassy's A-755), where it is still unclear who was actually responsible (although the anti-communist Partido de Accion Nacional is generally blamed in semi-official releases), the Iguala incident appears to be clearly the doings of the MLN. Why the MLN, which has recently been quite cautious in order not to antagonize the government unduly,

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would have countenanced the Iguala attack is uncertain. It may be that Suarez Tellez and Jenaro Vazquez, swept up in the heat of local politics and year-end carousing, went far beyond what the MLN would have intended in its "loyal, civic opposition" to the PRI.

The outcome of the Iguala incident has, however, been favorable to our interests here, as it is a clear indication that the government, using the combined strength of the Army, the Attorney General's office, and State and municipal authorities, is prepared to engage in a carefully planned operation to thwart the Cardenistas and the MLN.

For the Ambassador:

Robert W. Adams
Counselor of Embassy

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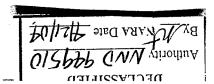
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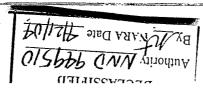
CARDENAS BOLD REACTION TO CRITICISM CCI UNDERLINES FAILURE LOPEZ MATEOS ADMINISTRATION GRAPPLE WITH LONG-TERM ASPECTS AGRARIAN PROBLEM AND ADMINISTRATION FAILURE TO UNDERSTAND FULLY OR IN-DIFFERENCE TO COMMUNIST THREAT IN AGRARIAN FIELD. ADMINISTRATION AIMS AT UNDERCUTTING CCI WITH SHORT-TERM POLITICAL MEASURES AND HASTY LAND DISTRIBUTION DESIGNED TO QUIET SOCIAL DISCONTENT AGRARIAN SECTOR. TACTIC MAY SUCCEED IN BLOCKING CCI, BUT AGRARIAN PROBLEM WILL REMAIN BECAUSE SHORT-TERM MEASURES ARE BASED PURELY ON POLITICS AND COMPLETELY DISREGARD LONGER-TERM ECONOMIC AND TECHNICAL CONSIDERATIONS. ALSO LOPEZ MATEOS TACTIC OF APPLYING PALLIATIVES AGRARIAN SECTOR TO UNDERCUT CCI, RATHER THAN MOUNTING STRONG FRONTAL ATTACK ON ORGANIZATION, DOES NOTHING TO IMMOBILIZE LEADING COMMUNIST AGITATORS WHO CAN WAIT IN WINGS, IF CCI DOES DISAPPEAR, FOR NEW OPPORTUNITY TO EXPLOIT UNRESOLVED LONG-TERM RPOBLEMS POSED BY RISING POPULATION, MOUNTING UNEMPLOYMENT AND GROWING HUNGER AND DISCONTENT IN AGRARIAN SECTOR.

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DEPARTMENT OF STATE ARA EUR A-994 CONFIDENTIAL NEA Pin 5 1963 JAN 31 Department of State RM/AN ANALYSIS & DISTRIBUTION BRANCH INFO: ALL CONSULATES IN MEXICO G FBC SIZI 5) January 29, 1963 DATE: FROM Amembassy MEXICO, D.F. SUBJECT: New Peasant and Farmer Organization (CCI) Culminates National Liberation Movement's Efforts at Political Action TR AIR REF HAVY ARMY CIA 5 0sb 5 10 The formal appearance of the Central Campesina Independiente NSA (CCI-Independent Peasants and Farmers Central) during the January 6-8, 1963 8 3 constituent meetings in Mexico City was the fruition of efforts by the 115C BI Movimiento de Liberacion Nacional (MLN-Movement of National Liberation) to have a political action instrument of national scope. The sequence of congresses, and movements, which culminated in the formation of the CCI establishes beyond any doubt their Communist inspiration. In December 1960 former President Lazaro Cardenas met with other Latin American representatives of the World Peace Council (WPC), a Communist front organization, to plan the first regional conference of the WPC in the Western Hemisphere. The principal object was to rally support for Fidel Castro. The Latin American Conference for National Sovereignty, Economic Emancipation and Peace was held in Mexico in early March 1961. Among its resolutions was one calling for the establishment of national liberation movements in each Latin American republic to carry out the recommendations of the Conference, essentially anti-"U.S. Imperialism" and pro-Castroist. Just as the name of Cardenas, who has long lent himself to Communist causes, had been used to lend prestige and respectability to the Latin American Peace Conference, so was it used to organize the National Liberation Movement in Mexico in August 1961. In both instances, however, well-known Mexican Communists played leading roles in giving direction to these organizations. The provisional Committee for National Sovereignty and Economic Emancipation, forerunner of the MLN, worked intensively during the months of May and June 1961 in preparation for the National Assembly which met on August 4 with 40 delegates from the Federal District and 180 from 24 different areas of the Republic, representing Farious FOR DAPT USE ONLY CONFIDENTIAL FORM DS - 323 Out Contents and Classification Approved by: ROD Or t W. Adams POL: JJMontllor:sk 1/28/63



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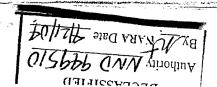
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agricultural workers', students', women's civic and cultural organizations, all leftist in orientation. The MLN National Committee appointed by the Assembly was composed of leading Mexican Marxists, among them several members of the Mexican Communist Party Central Committee.

The MIN, since its formation, has insisted that it is not a political party, and that its ranks are open to persons with affiliation in any of the existing parties. Thus, the MIN held that membership in a recognized party, such as the Government party - the Partido Revolucionario Institucional (PRI) - or Vicente Lombardo Toledano's Marxist party - the Partido Popular Socialista (PPS), was no impediment to militancy in the MIN, allegedly a simple "civic group." Lombardo Toledano held that the MIN was a political organization, and forbade PPS members from joining the MIN, under penalty of losing their PPS standing. Notwithstanding its public claims, the MIN in fact began drawing up plans in late 1961 to form a national party, but was effectively dissuaded from carrying them out by means of strong pressure informally brought to bear on MIN leaders by the President's office.

Frustrated in its first attempt to enter directly into the political arena, the MIN directorate then pursued the establishment of regional MIN committees throughout the country. Invariably, local Communists played a leading role in the regional committees. These committees identified themselves with local causes or movements, thus putting the weight of the MLN behind what would otherwise have remained a local issue in many cases. The most notorious instances of MLN involvement in local situations occurred in Guerrero and Baja California. In the latter state, the MIN gave financial support to Alfonso GARZON in his campaign for the mayoralty of Mexicali as an independent candidate in opposition to the PRI nominee. Garzon, noted for his troublemaking among cotton growers in the Mexicali Valley, ran unsuccessfully under the banner of an unregistered local party called the Alianza de Electores Libres. In Guerrero, a local organization of leftist leanings called the Asociacion Civica Guerrerense (ACG) played a leading role in the ouster of Governor Raul CABALTERO Aburto in January 1961, before the MLN was created. This "civic group", which managed to have some of its members appointed to local municipal positions in the housecleaning that followed Caballero's downfall, subsequently ram its own candidates in the regular elections for municipal and state offices on December 2, 1962. The ACG candidate for governor was a member of the MLN central committee, and with other ACG candidates for municipal office, received support from the MLN during the campaign. All ACG candidates were defeated but they claimed fraud, and on December 31 a group of disgruntled ACG members attacked the Iguala City Hall leaving two dead in their wake.

Although the MIN's efforts, through local political groups, to defeat the PRI has failed to date, its establishment of regional MIN committees has met with considerable success. Directly participating in this work has been

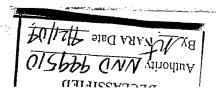


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Cuauhtemoc CARDENAS, the former President's son, who has made extensive trips throughout Mexico for the MIN. Special attention has been paid to the northern and northwestern part of the country, where leftist agitators were already at work among discontented and landless peasants. Among these Communist or pro-Communist agrarian leaders, most of them members of the MIN, are to be found the organizers and directors of the new CCI. The MIN's decision in mid-1962 to branch out into a formal agrarian organization (CCI) which would directly challenge the Government's official agrarian efforts was apparently made by the Communist Party of Mexico (PCM) through its members who now direct the MIN, and with the support of Lazaro Cardenas, whose use as a figurehead is highly important both to the MIN and the CCI because of his reputation in the agrarian reform field and his appeal among the peasants.

The CCI gathered together, using the name of Cardenas as a rallying point, a large number of agrarian agitators, known Communists, prominent pro-Communists, and some old leaders long known for their conspiracies against the government for the highly publicized organizational meetings of January 1963. While not personally attacking President Lopez Mateos, the CCI leaders made it clear that they openly opposed the PRI, particularly the official party's agrarian sector, the Confederacion Nacional de Campesinos (CNC). They were critical of the present government's agrarian and labor union policies, which led to the feeling in official circles that the President himself was being attacked, and the CCI also strongly defended the Castro regime and attacked "American imperialism". The first reaction in government quarters to the CCI was that it constituted a serious threat to the PRI and the Lopez Mateos administration, and that the CCI might become strong enough in coming months to influence the selection later in 1963 of the next president of Mexico. The government therefore moved quickly to encourage widespread public criticism of the CCI and its directors, including Cardenas himself despite the political risk this involved. Avoiding direct or police action against the CCI leaders, which might have precipitated disorders, the Lopez Mateos administration pursued a tactic of letting the CCI "burn itself out", along with effective measures of buying off or coercing CCI supporters to abandon the new organization, and general statements made by the President, the head of the PRI, and other government spokesmen calling for national unity and attacking demagogues who hope for personal profit from their opposition to the established party. Moreover, Lopez Mateos, who already planned large-scale land redistribution during his last two years in office, dramatized his program by moving rapidly to announce forthcoming land distribution to ejidatarios on an unprecedented scale.

The general feeling now among the public is that, by "pulling the teeth" of the CCI in the field of land distribution, as well as by other more subtle means of reducing the CCI to impotence, the Lopez Mateos may be bringing under control a situation which might otherwise seriously threaten the PRI and its



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forthcoming selection of a presidential candidate. It is, therefore, generally believed that the CCI has little chance of establishing itself as a national political party in opposition to the PRI, which was one of the announced aims of its MLN organizers, and that, in any event, the Lopez Mateos government is determined to prevent it from becoming a political party. Should the government continue to press its quiet attack on the CCI, and resolve, at last, that it must also reduce Cardenas to political insignificance, it is likely that the CCI threat to the PRI can successfully be removed.

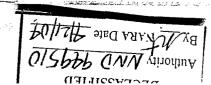
Even if the CCI is stopped from becoming a political party or an organization otherwise influential in national politics, it may still be capable of operating as an "action group" in many depressed areas, particularly in northern Mexico, and thereby keep the Lopez Mateos government under pressure. The MLN and the PCM, however, can be expected to try to keep alive the CCI, or alternatively to reconstitute their forces along some other anti-government, violently anti-U.S. and pro-Castro line. The basic problem of growing discontent among hungry peasants, compounded by Mexico's population explosion, will remain in spite of short-term political maneuvers of the Lopez Mateos administration, and will offer further opportunities for the PCM and its MLN to exploit in the future.

For the Ambassador:

Robert W. Adams
Counselor of Embassy

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INCOMING TELEGRAM

Department of State

Mestico

47 CONFIDENTIAL Control: 4308 Action Rec'd: JANUARY 8, 1963 ARA 9:19 PM FROM: MEXICO CITY Info SS T0: Secretary of State SR NO: G 1853, JANUARY 1, * 4 PM SP L H PRIORITY CAP EMBTEL 1844 P USIA CCI MEETINGS CONTINUED INTO SECOND DAY ON JANUARY 7. IMPLICATIONS NSC OF NEW ORGANIZATION BECOMING CLEARER. AND REACTION DEVELOPING. INR CIA SPEECHES BEFORE CCI MEETING CONTINUED CONTAIN IMPLICIT THREAT NSA DIRECT ACTION SHOULD GOVERNMENT FAIL MEET CCI DEMANDS NEAR OSD FUTURE. ONE SPEAKER SET MAY 1 DEADLINE GENERAL CELESTINO GASCA. ARMY IN VIGOROUS ANTI-GOVERNMENT SPEECH, STATED PEASANTS COULD AND NAVY SHOULD TAKE BY FORCE WHAT RIGHTFULLY BELONGS TO THEM IF GOVERN-AIR MENT FAILS SATISFY THEIR DEMANDS. NIC SPEAKERS ALSO VIOLENTLY ATTACKED VICENTE LOMBARDO TOLEDANO AND RMR JACINTO LOPEZ. NEITHER HAS JOINED CCI. ALSO SHARP ATTACKS LAUNCHED AGAINST BOTH CNC (JAVIER ROJO GOMEZ) AND CTM (FIDEL VELASQUEZ) THUS DIRECT SLAP AT PRI AND IMPLICITLY AT LOPEZ MATEOS ADMINIC STRATION.

MESSAGES IN SUPPORT CCI READ FROM DEMETRIO VALIEJO, DAVID ALFARO SIQUEIROS, FILOMENO MATA, AND VALENTIN CAMPA, ALL CURRENTLY SERVING JAIL SENTENCES FOR "SOCIAL DISSOLUTION". ALL MESSAGES AND SPEECHES HAVE STRONG PRO_CASTRO FLAVOR WITH STRAIGHT MLN_COMMUNIST LINE ATTACKING "U.S. IMPERIALISM".

MOST IMPORTANT DEVELOPMENT IS FIRM IDENTIFICATION LAZARO CARDENAS WITH CCI. UNDER HIS LEADERSHIP, WIDE RANGE OF COMMUNISTS AND LEFTISTS OF PCM AND MLN COMING TOGETHER IN CCI WITH INTENTION FORM COMMUNIST "ACTION GROUP" AND POLITICAL PARTY. CARDENAS

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-2- 1853, JANUARY 1, 4 PM FROM MEXICO CITY

HENCHMAN BRAULIO MALDONADO PROBABLY TO BE ELECTED SECRETARY GENERAL OF CCI JANUARY 8 FINAL MEETING.

EXCEPT FOR ADVERSE COMMENTS ON CCI BY JAVIER ROJO GOMEZ AND SECOND_LEVEL CONGRESSMEN, LOPEZ MATEOS ADMINISTRATION STILL SILENT ON CCI. PRI REPORTEDLY HAS SCHEDULED MEETINGS BEGINNING JANUARY 14 TO DETERMINE COURSE OF ACTION. STRONGEST ATTACKS ON CCI COME FROM PRESS WHICH MUST HAVE RECEIVED SOME SORT OFFICIAL LINE THROUGH MINISTRY OF GOBERNACION, AS OPEN CRITICISM OF CARDENAS APPEARING PRESS STORIES AND EDITORIALS FOR HIS LEADING ROLE IN DIVISIVE CCI MANEUVER.

COMMUNISTS AND LEFTISTS NOT TOTALLY UNITED IN SUPPORT CARDENAS AND CCI. HERIBERTO JARA, HERETOFORE FAITHFUL CARDENAS LACKEY, ISSUED STATEMENT JANUARY 7 OPPOSING CCI BUT REASONS MAY BE .
PERSONAL. JAIME DE LA CERDA, LEADER OF IXTLEROS HUNGER MARCHES AND FREQUENT CRITIC ADMINISTRATION'S AGRARIAN POLICY, ANNOUNCED HE REMAINS LOYAL TO PRI. LOMBARDO TOLEDANO REPORTEDLY DRAFTING ANTI-CCI STATEMENT.

FOUNDING FO CCI MOST DANGEROUS THREAT RECENT YEARS TO PRI STRUCTURE, "NATIONAL UNITY" CONCEPT, AND LOPEZ MATEOS PROGRAMS. GOM CONCERNED FOR SOME TIME OVER AGRARIAN SECTOR AND COMMUNIST PLANS TO EXPLOIT SITUATION BY CREATING NEW CAMPESINO ORGANIZATION. ROJO GOMEZ HAS SPENT MUCH TIME TRYING PREVENT ORGANIZATION CCI, BUT HAS FAILED. LOPEZ MATEOS ADMINISTRATION NOW CONFRONTED WITH GOING ORGANIZATION WHOSE MEMBERS KNOWN COMMUNISTS, INCLUDING JAILED SUBVERSIVES. GENERALLY BELIEVED THAT GOM WILL HAVE TO MAKE RESOLUTE AND TOUGH RESPONSE TO CCI CHALLENGE.

GOM RESPONSE HAMPERED BY TWO MAJOR FACTORS. FIRST, INVOLVEMENT OF CARDENAS IN VERY FRONT RANKS CCI CAUSES PROBLEMS FOR LOPEZ MATEOS WHO MIGHT ACT MORE FREELY AGAINST SECOND_LEVEL COMMUNISTS LIKE MALDONADO. SECOND, CCI PROBABLY ENJOYS REAL POLITICAL STRENGTH (SPEECHES IMPLY 3 MILLION MEMBERS COULD BE PRODUCED) OR.

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-3- 1853, JANUARY 1, 4 PM FROM MEXICO CITY

OR, IN ANY EVENT, HAS FIRM BELIEF IN OWN STRENGTH, WHICH MAKES IT FORMIDABLE OPPONENT FOR PRI. LOPEZ MATEOS MUST ALSO WEIGH DANGER OF ACTION AGAINST CARDENAS IN LIGHT POSSIBLE EFFECT OF CCI STRENGTH IN FORTHCOMING PRESIDENTIAL ELECTION.

SOME MEXICANS BELIEVE LOPEZ MATEOS CAN NOT ADDORD IGNORE IMPLICATIONS IN SPEECHES AT CCI MEETINGS THAT CCI WILL CONTEMPLATE OR THREATEN USE CASTRO TACTICS IN ACHIEVING GOALS. FACT THAT SPEAKERS, INCLUDING GASCA WITH HISTORY OF INSURRECTION, ARE HOLDING POSSIBILITY ARMED ACTION AGAINST GOM MAY EVOKE UNEQUIVOCAL RESPONSE FROM LOPEZ MATEOS DESPITE POLITICAL PROBLEMS IN MOVING OPENLY AGAINST CARDENAS.

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* AS RECEIVED.

INCOMING TELEGRAM Department of State

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Action SS

Control: Rec'd:

2095 MARCH 4, 1963

2:02 PM

Info

FROM: MEXICO CITY

TO:

Secretary of State

NO:

2240, MARCH 4. NOON

FILE

OPERATIONAL IMMEDIATE

FOR PRESIDENT FROM SALINGER, INFO COPY SECRETARY, BUNDY, DUNGAN. WHITE HOUSE.

FOLLOWING IS REPORT ON 30 MINUTE VISIT WITH PRESIDENT LOPEZ MATEOS AT HIS HOME THIS MORNING. ON BEHALF OF THE PRESIDENT I EXPRESSED THE GRATITUDE ALM'S SUPPORT US GOVERNMENT DURING OCTOBER CRISIS. ALM SAID HE GOT FEELING THAT SOME IN STATE DEPARTMENT DID NOT THINK HE HAD BEEN QUICK ENOUGH IN SUPPORT. I TOLD HIM I WAS NOT AWARE OF SUCH FEELING AND THAT IN ANY EVENT PRESIDENT DID NOT SHARE SUCH FEELING.

ALM THEN STRESSED AT SOME LENGTH THE IMPORTANCE WITH WHICH HE REGARDS UPCOMING SAN JOSE MEETING. HE SAID AS HE TOLD JFK IN MEXICO CITY LAST YEAR. HE CONSIDERS CENTRAL AMERICA MOST DANGEROUS AREA. SAID COSTA RICA IS THE ONLY COUNTRY IN CENTRAL AMERICA WITH ANY KIND OF STABLE ECONOMY AND THE ONLY COUNTRY IN CENTRAL AMERICA WITH ANY STABLE POLITICAL ACTIVITY. HE SAID WHAT IS NEEDED IN CENTRAL AMERICA IS MASSIVE US ASSISTANCE. PARTICULARLY IN PUBLIC WORKS. HE SAID US ASSISTANCE MUST BE OF SUCH NATURE THAT IT WILL REACH THE PEOPLE. ALM SAID THIS IS PARTICULARLY TRUE IN NICARAGUA, EL SALVADOR AND GUATEMALA. WHERE PROGRESS HAS BEEN SLOW PARTICULARLY DUE TO THE INFLUENCE OF THE UNITED FRUIT COMPANY. ALM SAID IMAGE OF THE US IN CENTRAL AMERICA IS THE UNITED FRUIT CO. HE SAID THAT IF COMMUNISM WAS GOING TO MAKE ANY HEADWAY IN THIS HEMISPHERE, CENTRAL AMERICA IS THE LIKELY TARGET.

TURNING TO CUBA, ALM SAID THAT OF COURSE PROBLEM THERE IS NOT CUBA BUT SOVIET PRESENCE. HE SAID HIS INFORMATION IS THAT CUBA REPRODUCTION FROM THIS COPY IS PROHIBITED UNLESS "UNCLASSIFIED"

E.O. 12958, Sec. 3.5

BymmyNARA, Date 1214

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-2- 2240, MARCH 4, NOON, FROM MEXICO CITY

WILL HAVE THE WORST SUGAR CROP IN 40 YEARS. HE SAID THIS MAY LEAD TO INTERNAL DISORDER. HE SAID HIS INFORMATION INDICATES A WIDENING BREACH BETWEEN THE RUSSIANS AND THE CUBANS, PARTICULARLY BECAUSE OF WHAT THE CUBANS REGARD AS THE HIGH-HANDED MANNER IN WHICH KHRUSHCHEV TREATED CUBA WHEN HE WITH-DREW WEAPONS. HE SAID THE LENGTHY VISIT OF MIKOYAN TO HABANA WAS AN INDICATION OF THIS FACT. HE SAID HIS INFORMATION WAS THAT WHILE MIKOYAN WAS MEETING WITH CASTRO, CASTRO WOULD LEAVE THESE MEETINGS AND GO TO THE UNIVERSITY AND DENOUNCE MIKOYAN.

I BROACHED THE SUBJECT OF COMMUNIST INFILTRATION IN LATIN AMERICA FROM CUBA, BUT EVOKED NO COMMENT FROM ALM. ALM ASKED THAT I CONVEY TO JFK HIS HIGHEST ESTEEM AND FRIENDSHIP AND WISHED HIM SUCCESS IN THE COMING COSTA RICA MEETING. THE ONLY OTHER PERSON PRESENT DURING THE MEETING WAS JUSTO SIERRA, WHO INTERPRETED.

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NOTE: PASSED WHITE HOUSE 3/4/63.

NOTE: Handled LD/SS per Mr. Frowick SSO

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INCOMING TELEGRAM

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PERSONS IN CONTINUOUS TRANSIT, OFFICIAL EXPLAINED, REQUIRE NO MEXICAN VISA OR GOBERNACION AUTHORIZATION BECAUSE THEY ARE PERMITTED UNRESTRICTED TRAVEL IN TRANSIT UNDER INTERNATIONAL CONVENTION. OFFICIAL STATED THERE WERE 25 CUBANA FLIGHTS FROM DECEMBER 15 TO FEBRUARY 15 AND THAT PASSENGERS IN CONTINUOUS TRANSIT THROUGH MEXICO (IN ADDITION TO PASSENGERS DESTINED FOR OR STOPPING OVER HERE, TOTAL OF WHOM EMBASSY WILL REPORT LATER) IN THAT PERIOD NUMBERED 500. OF THIS NUMBER 38 WERE CUBANS, 54 CANADIANS, VERY FEW EUROPEANS, MOST OF REMAINDER WERE CENTRAL AND SOUTH AMERICANS. FOREIGN OFFICE OFFICIAL SAID THIS FORM OF TRAVEL WAS PROBABLY LOOPHOLE WHICH HE ASSUMED MOST "UNDESTRABLE" TRAVELERS WOULD USE IN

CONTINUOUS TRANSIT (ONWARD TICKETS AND PROMPT TRANSFER FROM

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CUBANA AT MEXICO CITY AIRPORT TO ANOTHER LINE).

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-2- 2496, APRIL 3, 3 PM FROM MEXICO CITY

ORDER AVOID REQUIREMENT GOM VISA OR ENTRY AUTHORIZATION. HE ADDED THAT MINISTRY OF GOBERNACION STUDYING THIS PROBLEM TO SEE WHETHER ANY CONTROL POSSIBLE. IN MEANTIME, TRAVELERS IN CONTINUOUS TRANSIT BEING PHOTOGRAPHED AND THEIR PASSPORTS STAMPED WITH NEW "ENTRY FROM CUBA" STAMP.

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Of the remaining group of contenders, Minister of Gobernacion Gustavo Dies Crits and Himister of the Pressury Antonio Critis Hena remain as the most talked show's possibilities. The latter has received such publicity as a result of the recent French Roan, the sale of Lestians bonds in the United States financial market and the current visit to Moxico of David Rockefellor of the Chase Harhattan Dank. Although this close identification with United States financial interests might burt Irtiz Hena by exposing him to charges of being pro-American, he must consider it an asset, since he obviously lent himself willingly to all the attendant publicity. The Hepor of the Federal District (i.e., Merrico City), Ernasto Urushurtu, continues to be prominantly mentioned in commentaries and political cartoons. He is keeping in the limelight by pushing construction of another link of the District's circumferential highway and of the prolongation of the fashionable Paseo de la Roforra, and by revemping the city's lighting system. Urichurtu's bachelorhood is a political liability, but President Lopec latecs is reportedly immessed by the Mayor's ability to show a surplus in the District's budget in spite of an unpracedented improvement program.

In its previous listings of possible candidates for the PRI presidential nomination the Embassy did not include Real SALTHAS Lozano, Minister of Industry and Commerce. Although the Embassy continues to believe that Minister Salinast chances are slim, his name has occusionally cropped up in political commentaries. He has also been portrayed in political cartoons as being an active participant in the undeclared and admirally unofficial "primaries." A brief biographic shoteh of Minister Salinas is attached to this airgram.

As of this moment, at least in the opinion of many businessmen have, the odds seem to favor a conscreative (within the PRI spectrum) as the number resident of Mariae. This assumes that President Lopes Entees, himself left of center in the PRI, would, if under no great pressures from the outside, select a man who would be note a "consolidator" than an "innovator" like himself. By selecting such a successor, Lopes Fateos might ensure that his record as a "revolutionary" statesman would not be outdone. In the history of Maxico it is the innovators who have been given the brightest pages, and Lopez Mateos is certainly striving for a kind judgment in history.

Lopez Nateos throughout his administration has balanced off the pressures of the so-called right ("Alemanismo") and the extreme left ("Cardenismo") sectors in the PRI. His deft manipulation of politics has apparently succeeded so far, and there are many observers who believe that Lopez Mateos now has sufficient power to select his successor almost at will. The influence of Cardenas remains an enigma. Many of his closest associates in leftist ventures such as the Movimiento is Liberacion Nacional (MIN) are part of the group that has been attempting to create a new party, the Frante Electoral del Pueblo (FIP), with the hope of running a presidential candidate of Lawket tendencies. It is highly doubtful that the FEP will receive the official approval needed to participate in the elections of July 1964. (Embassy's A-1723, June 26, 1963). If Cardenas

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(N)

A-116 from Mexico

reasins free of any committent to a group other when the RII, his influence within this party may still be significant. It has some time, lopes Matees may judge that he can resist Cardonas' procesure on the IRI and decide to disregard the former President.

At this stage of the succession process there remain many questions which defy simple ensures. While persons elected to Success Dina Order exude optimism and confidence that their men is in, the icrue is few from settled. The possibility remains that if faced with a decalock arms, the present leading contenders, Lopez laters may turn to a "dark house" unsentioned in the race so far.

For the Ambassader:

Robert W. Adams Counselor of Embassy

CONTRIBUTAL.

RAUL SALINAS LOZAMO Minister of Industry and Commerce

Raul SALTNAS Lozano was born in Monterrey, Nuevo Leon, on April 30, 1917. He attended schools in San Antonio, Texas, during 1929-32, is a graduate of the (Mexican) National School of Economics, and received a fellowship from Harvard University for study at the Graduate School of Public Administration. After serving in several economic agencies and the Ministry of Finance, in 1958 he was appointed Minister of Industry and Commerce. He is a financial expert well qualified for his position.

There are verying views on Salinas Lozano's political orientation. Although a member of the PRI, he has been called a sympathizer of the Partido Popular (FP), was reported to have been a member of the advisory council of the Universidad Chrera, a PP-dominated institution, in which his wife is said to be a professor, and, in the fortice, to have been the protege of Jesus SLLVA Hersog, the well known Mexican Marxist historian and economist. On the other hand, by some he is regarded as a sharp opportunist without deep convictions, and by others as a non-doctringire economist who has stated views that would make him acceptable to conservative businessmen.

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ARATE GEOLOGY ZEA

.... AMENIBASSY NEXICO) TO SECSTATE WASHDC

STATE GRNC SS

大學學學學學學學學 SECRET (1078) NOV 5, 7:30 PM

Ĝ SF

IT NOW APPEARS CERTAIN THAT THE PRI ORGANIZATION AND PRESIDENT LOPEZ MATEOS ARE COMMITTED TO THE CANDIDACY OF DIAZ ORDAZ. H WE ARE PROCEEDING HERE ON THE ASSUMPTION THAT DIAZ ORDAZ WILL E THE PRI CANDIDATE FOR PRESIDENT AND IN ALL PROBABILITY ADPS WILL BE ELECTED.

CAF

IN ADDITION TO THE APPARENT SUPPORT OF LOMBARDO TOLEDANO NUE AND HIS PPS, IT NOW APPEARS THAT THE PARTIDO NACIONALISTA AID MEXICANO, A RIGHT-WING SPLINTER GROUP AND THE SINARQUISTAS, A FAR RIGHT-WING FALANGE-FASCIST TYPE ORGANIZATION, MAY ALSO TOP DECIDE TO SUPPORT DIAZ ORDAZ.

INR RMR

P

IN ANY CASE THE PRINCIPAL OPPOSITION IN THE ELECTORAL CAMPAIGN WILL COME FROM THE PAN PARTY WHICH HAS NOT YET ANNOUNCED ITS RESIDENTIAL CANDIDATE BUT WHICH IS REPORTED TO BE LEANING TOWARD JOSE GONZALEZ TORRES. GONZALEZ TORRES IS CLOSELY IDENTIFIED NITH THE CATHOLIC CHURCH AND IN THE PAST WAS HEAD OF PAX-ROMANA CFN 1078 5 7:39 PRI PPS PAX ROMANA

PAGE TWO RUESMO OS S E C R E T AND ACCION CATOLICA. THE PAN HAS ALREADY ANNOUNCED THAT IT WILL WAGE A VIGOROUS CAMPAIGN.

THE FEP PARTY, REPRESENTING THE PCM AND MLN, HAS ANNOUNCED THAT ITS CANDIDATE WILL BE-RAMON-DANZOS PALOMINO WHO IS A MEMBER OF THE PCM CONTROL COMMISSION. THIS CANDIDATE'S MAME WILL HOWEVER NOT BE ON THE BALLOT AND ANY SUPPORT FOR HIM WILL HAVE TO BE ON WRITE-IN BASIS.

THE PRINCIPAL QUESTION AT THE MOMENT IS WHAT REACTION CAN BE EXPECTED FROM THE PCM, MLN, FEP AND OTHER COMMUNIST-ORIENTED GROUPS. "POLITICA" MAGAZINE, WHICH IS THE PRINCIPAL COMMUNIST

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SECRET

-2- 1078, NOVEMBER 5, 7:30 PM. FROM: MEXICO CITY.

THIY GREAN, HAS RECENTLY TWICE STATED CATEGORICALLY THAT DIAZ ORDAZ LILL NOT BE PRESIDENT OF MEXICO. THIS HAD BEEN INTERPRETED AS THREAT ASSASSINATION. AS LATE AS NOVEMBER 4, AFTER DIAZ ORDAZ SELECTION WAS PUBLICLY KNOWN, THE LEADERS OF THE PCM MET TO DISCUSS HOW THE PARTY COULD GET THE PRI TO DROP DIAZ ORDAZ. A THREE PHASE CAMPAIGN WAS PROPOSED. FIRST, A WHISPERING CAMPAIGN THAT DIAZ ORDAZ WAS IMPOSED ON THE PRI PARTY AND ON MEXICO BY THE UNITED STATES GOVERNMENT. SECOND, A LEAFLET AND SIGN CAMPAIGN PICTURING DIAZ ORDAZ AS THE "GRINGO" CANDIDATE.

PAGE THREE RUESMO OS S E C R E T
THIRD, POLITICAL ACTION OF THE TYPE BEING CARRIED ON BY THE
FALN IN VENEZUELA INCLUDING SABOTAGE OF MEXICAN OIL PRODUCTION
FACILITIES. THE MAJORITY OF THESE COMMUNIST ELEMENTS ARE STILL
CONTROLLED BY THE SOVIET EMBASSY AND WE DOUBT THAT SOVIET UNION
AT THIS TIME WOULD CONSIDER THAT ITS OWN INTERESTS WOULD BE
SERVED BY AUTHORIZING AND ENCOURAGING VIOLENCE BY ITS PARTISANS.
THERE IS HOWEVER A MINORITY GROUP WHICH LOOKS TOWARD COMMUNIST
CHINA AND CASTRO CUSA FOR LEADERSHIP. WE CANNOT THEREFORE
DISCOUNT THE POSSIBILITY OF VIOLENCE.

AGAINST THIS BACKGROUND I WISH TO EMPHASIZE THE ABSOLUTE MPORTANCE OF ALL UNITED STATES OFFICIALS REFRAINING FROM SPECULATION FOR PUBLICATION ABOUT FUTURE ATTITUDES AND POLICIES OF DIAZ ORDAZ. IF THE DEPARTMENT HAS A NEED TO PROVIDE GUIDANCE TO PRESS ON A "NO ATTRIBUTION" BASIS SUGGEST FOLLOWING LINES:

- 1. MEXICAN PRESIDENTS HAVE HISTORICALLY AND NOTORIOUSLY BEEN. PRO-MEXICAN RATHER THAN PRO OR ANTI-UNITED STATES. WHERE THEY CONSIDER THAT MEXICAN INTERESTS COINCIDE WITH OURS WE HAVE HAD LITTLE TROUBLE. CONVERSELY, WHENEVER THEY CONSIDER MEXICAN INTERESTS DIVERGE FROM THOSE OF THE UNITED STATES THINGS HAVE HISTORICALLY NOT GONE SO SMOOTHLY. WE EXPECT THIS SAME PATTERN IN FUTURE.
- 2. DIAZ ORDAZ DOES NOT ATTEND MASS REGULARLY AND IS NOT EXPECTED TO FOLLOW CHURCH LINE. THE PAN PARTY IS MUCH CLOSER TO THE CHURCH THAN DIAZ ORDAZ AND THE PRI.

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SECRET

-3- 1078, NOVEMBER 5, 7:30 PM. FROM: MEXICO CITY.

U. DIAZ GRDAZ ECONCHIC POLICY, I.E., HIS ATTITUDE TOWARD FOREIGN PRIVATE INVESTMENT, MEXICANIZATION AND FORCED INDUSTRIALIZATION, AND OTHER EXISTING MEXICAN GOVERNMENT PROGRAMS, IS NOT KNOWN. WE HAVE HOWEVER NO REASON TO BELIEVE AT THIS TIME THAT THERE WILL BE ANY RADICAL DEVIATION IN THE ECONOMIC POLICIES WHICH HAVE BEEN FOLLOWED BY ALL REVOLUTIONARY PRESIDENTS.

- 4. WHILE NO PRECISE PREDICTIONS CAN BE MADE NOW, IT WOULD EE PREMATURE TO PREDICT ANY BASIC CHANGES IN MEXICAN POLITICAL, SOCIAL OR FOREIGN POLICIES. DIAZ ORDAZ, IF ELECTED, WILL FACE ESSENTIALLY THE SAME PROBLEMS THAT LOPEZ MATEOS HAS HAD TO FACE IN TERMS OF KEEPING THE PRI PARTY UNITED. WE SHOULD NOT BE SURPRISED IF THERE SHOULD CONTINUE TO BE ZIGS AND ZAGS WITH AN EMPHASIS ON POLITICAL AND ECONOMIC NATIONALISM AND AN OCCASIONAL STATEMENT ABOUT IMPERIALISM, ECONOMIC INDEPENDENCE AND OTHER PHRASES WHICH HAVE BECOME PART OF THE MEXICAN RHETORIC.
 - 5. THE PORTRAYAL OF DIAZ ORDAZ AS "PRO-UNITED STATES",
 "PRO-CATHOLIC", ETC., COULD OBLIGE HIM FOR DOMESTIC POLITICAL
 REASONS TO DEMONSTRATE HIS REVOLUTIONARY MEXICAN PATRIOTISM BY TAKING
 ATTITUDES CONTRARY TO UNITED STATES INTERESTS.
 CFN 2. PAN 3.4. 5.

PAGE FIVE RUESMO OB S E C R E T
THERE IS A CERTAIN AMOUNT OF EUPHORIA IN MEXICO CITY TODAY
ESPECIALLY AMONG AMERICANS. I THINK THIS IS PRINCIPALLY A SIGN
OF THEIR RELIEF THAT A PRO-COMMUNIST CANDIDATE WAS NOT SELECTED
BY THE PRI. WE IN THE EMBASSY SHARE THIS FEELING OF RELIEF.
BUT WE ARE UNDER NO ILLUSIONS THAT DIAZ ORDAZ SELECTION
NECESSARILY SIGNIFIES ANY CHANGE IN BASIC MEXICAN POLICY.

GP-1. MANN CFN 08 PRI ADDRESS OFFICIAL COMMUNICATIONS TO THE SECRETARY OF STATE WASHINGTON 25. D. C.



DEPARTMENT OF STATE

WASHINGTON

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FEB 1 8 1964

MEMORANDUM FOR THE PRESIDENT

Subject: Your Meeting with President Lopez Mateos

We do not expect to make any major political decisions but want to give new emphasis to the friendly relations which exist between Mexico and the United States. These relations are now at an all-time high. Mexico felt it had a real friend in President Kennedy. They feel the same relationship exists with you but want to be reassured. A warm Texas handshake and abrazo when you greet Lopez Mateos at Los Angeles would symbolize the continuance of that relationship.

We want to stress the <u>identity of interests of our two</u> <u>countries</u> and our ability to work out in the "spirit of <u>El Chamizal"</u> any problems that may arise between us.

Despite the informal atmosphere of the visit, we should give scrupulous attention to Mexico's extreme sensitivity on sovereign equality and Mexico's strong desire to avoid any appearance of subservience to the United States.

Lopez Mateos speaks for the Mexican Government and no important decision is made without his approval. He has followed an "independent" foreign policy but knows that good relations with us, especially in the economic sphere, are essential to his country. At times his foreign policy has been too independent—for example on Cuba and in commercial and cultural relations with Communist China.

But

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Authority RAC-NL3 001-063-1-1

By MARA, Date 9-26-01

GROUP 2
Exempted from

But when fundamental issues are at stake we have usually found him understanding and willing to be helpful--controlling travel of Castro agents, non-recognition of Red China, offering help on Panama.

Lopez Mateos has chosen his successor, Gustavo DIAZ Ordaz, who will take office in December 1964 after elections in July. Power is therefore drifting toward Diaz Ordaz.

Enclosed is a paper on points which it is suggested you raise at the meeting, and those which it is believed Lopez Mateos will raise.

7s/ Dean Rusk

Dean Rusk

Enclosure:

Paper on points to be raised at the meeting

MAJOR POINTS OF INTEREST TO THE UNITED STATES

1. General Information and Hemisphere Relations

We desire to continue close working relations with Mexico both within and outside the CAS and the UN.

We hope Mexico will continue to use its key political and geographic position to help control Castro/Communism.

Mexico is very sensitive about publicizing its cooperation and we have carefully avoided any public comment on Mexican control measures.

Mexico has offered its assistance on Panama. Mexico is not aware of the role of President Orlich of Costa Rica in mediation efforts and we do not desire that this come to Mexico's attention. We welcome Mexico's assistance within an OAS context.

2. Red China

The coming visit of De Caulle to Mexico and Brazil in March has prompted speculation that these two countries are about to recognize Red China.

6(47) C247

to raise this issue, but if Lopez Mateos raises it, we should let him know we are aware of his assurances.

3. Mexico's Role in the Alliance for Progress

Mexico's participation in the Alliance is essential to its success. Mexico has played a leading role in IA-ECOSCC and has named the Director General of the Bank of Mexico as its representative to CIAP. It has cooperated with us in providing extensive training facilities for Latin American technicians. We want to encourage Mexico to make a greater

contribution

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contribution. Mexico is making renewed efforts to promote private enterprise and we also want to encourage Mexico along this line. We should continue to cooperate with Mexico in maintaining financial stability and promoting economic development.

4. Disputed Tracts on Rio Grande

There remain several tracts on the Rio Grande over which sovereignty is in dispute. We desire to have the International Boundary and Water Commission study these problems and recommend a solution.

5. Control of Narcotics

Mexico and the United States are cooperating in controlling the importation of narcotics and dangerous drugs into the United States. We should strengthen this cooperation in the mutual interest of both countries. We hope therefore that Mexico will agree to periodic meetings of the highest law enforcement officers of the two countries.

6. Desalinization Plant at Tijuana

An appraisal report by Interior shows that this is the most economical way to supply water to Tijuana. We are prepared to go ahead with a feasibility study if Mexico desires and will share the cost.

MAJOR POINTS LOPEZ MATEOS IS EXPECTED TO RAISE

1. Salinity Problem on Lower Colorado

The Mexican President wants a reaffirmation of President Kennedy's commitment "to reach a permanent and effective solution at the earliest possible time" of the salinity problem. We can agree but should avoid any commitment on timing. If Lopez Mateos raises the related problem of the

groundwater



groundwater recovery program at Yuma, we agree that the Boundary Commission should study the problem. Farmers in the lower Rio Grande Valley are seriously concerned about saline drainage discharged into the river by Mexico and want the Boundary Commission to achieve an early solution to this problem.

2. Bracero Program

The Mexican Government is privately seriously disturbed about the termination of this program. Congressional opposition to it is strong and we cannot commit ourselves to continue the program. We are looking into the problem to see if anything can be done to help Mexico. One possibility is an expanded community development program in Mexico through private channels (P.L.480 foodstuffs through U. S. voluntary agencies) if Mexico is interested.

3. Mexico's Concern about U. S. Trade Policies

Mexico is concerned about United States restrictions or threatened restrictions on textiles, lead, zinc and mest and other products and United States cotton policies which it claims hurt Mexican cotton exports to the world market. We recognize that we are natural markets for each other. We desire to expand trade, promote competition and develop markets. We want to maintain or expand the present level of access to each other's market but we would not be able to guarantee Mexico its present share of our market in each commodity or a share in increased consumption.

4. Chamizal Settlement

Lopez Mateos wants to be recorded in history as the man who returned the Mexican flag to the Chamizal. He wants a ceremony at the Presidential level at El Paso-Ciudad Juarez before December 1964 to symbolize the Chamizal settlement. We should only agree to consult later in the year on an appropriate ceremony and a possible date.

VISIT OF PRESIDENT ELECT DIAZ ORDAZ TO LBJ RANCH, November 12-13, 1964

Background Paper

MEXICO AND RELATIONS WITH CUBA

Mexico has not to date honored its obligations under the Rio Treaty and maintains diplomatic and consular relations with Cuba despite the mandatory sanctions imposed by the 9th Meeting of Foreign Ministers called by the Organization of American States. Mexico remains the only OAS member to continue such relations.

In his State of the Union message to the Mexican Congress on September 1, outgoing President Lopez Mateos challenged the juridical correctness of the sanctions imposed by the 9th Meeting of Foreign Ministers and reaffirmed his decision to maintain relations with Cuba. He asserted 'that Mexico would abide by a decision on this matter by the International Court of Justice if the Court's opinion were requested by another nation. No such request has been made and, in view of the harmful effects to the OAS and the inter-American system of appealing a decision by the Meeting of Foreign Ministers, none is likely.

The action of Lopez Mateos has made it somewhat difficult for Diaz Ordaz, inasmuch as a break with Cuba in the first months of the new administration would be an open rebuke for Lopez Mateos to whom Diaz Ordaz owes his presidential nomination. However, it is expected that the Diaz Ordaz Administration will review carefully Mexico's Cuba policy and may find a way in its own time and its own way to sever relations.

Authority Metalth. 3-22-74

By ______, NARS, Date _4-30-74

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Group 3

Downgraded at 12-year intervals, not automatically declassified.

NATIONAL SECURITY COUNCIL TO JUNE 161

CONFIDENTIAL

November 23, 1964

Bromley Smith:

Attached are memoranda of conversation on the meeting with the Mexican President-

I recommend that they be approved.

I suggest State excerpt Part I and send only that part to the other agencies that need to have it.

Part II should be made Limited
Distribution. If it should get out to the
public it could really hurt Diaz Ordaz.

015

rms Declassived E.O. 12356, Sec. 3.4 Nej<u>75-/88</u> By <u>75-</u>, NARA, Date *10-2-95* Confidential

TCMann:ps:spd (Drafting Office and Officer) · Approved in White House

12/10/64

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Memorandum of Conversation

Part II of II

DATE: November 12, 1964 5:00-6:00 p.m. LBJ Ranch, Texas

SUBJECT:

Mexican-Cuban Relations

ACTICIPANTS: President Johnson

President-elect Gustavo DIAZ ORDAZ

Ambassador CARRILLO Flores

Thomas C. Mann <

COPIES TO:

s/s

INR/OD

ARA - 5

Amembassy MEXICO CITY

White House - 2

DECLASSIFIED Mur NARS, Date 4-30-74

While in the automobile, the President asked Lic. Diaz Ordaz what the Mexican people thought about Castro.

The Licenciado said that there was a small group in Mexico who loathed Castro and, at the other_extreme, another small group who thought he had the cleanest political banner in the hemisphere. The great majority of people were in between and there were many variations in the way they thought.

He said that Castro had no appeal for the great majority of Mexicans and did not constitute a political threat in Mexico. majority of the Mexican people did not like the idea of intervening in Cuba's internal affairs, particularly since historically Cuba had been a refuge for Mexican politicians in exile and, conversely, Mexico had been a haven for Cuban politicians who had fallen on evil days. Mexico's hope was that the Cuban people themselves would find a way to return Cuba to the democratic path and even harbored the idea that at some propitious time in the future --Mexico knew that this was not the time -- Mexicans might be able to be the bridge over which Cuba could come back to freedom. Meanwhile, Mexicans were disenchanted with the undemocratic procedures and the excesses in Cuba.

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The President asked what Licenciado Diaz Ordaz thought about the resolutions adopted at the Foreign Ministers Meeting concerning the isolation of Cuba. The Licenciado replied that he had not had an opportunity to study in depth the validity of Mexico's juridical position but in essence it was that the decision of the majority seemed to have been directed against a minority of four and was not binding on Mexico unless and until approved by the Security Council of the United Nations.

The President inquired whether this juridical position would not basically weaken the validity and effectiveness of the Rio Treaty -- whether it did not nullify the treaty and impair the ability of the American States to protect themselves against aggression in the future.

Licenciado Diaz Ordaz stated that he personally shared the President's preoccupation. He noted that the Security Council could hardly pass favorably on a resolution of this kind in view of the Soviet veto. At this point, Ambassador Carrillo Flores asked his President whether it was not true that the essence of the Mexican position was that the facts in the Venezuelan case did not support Venezuela's assertion that an act of "aggression" within the meaning of the Rio Treaty had taken place. The Ambassador suggested that there was a difference between the facts proven during the missile crisis of October 1962 and the facts alleged in the Venezuelan case.

Licenciado Diaz Ordaz said that there were many cases where aggression had been falsely charged. He said that, for example, Guatemala had in the past fabricated stories about alleged Mexican aggressions against Guatemala. He implied that Cuban complicity in the plot to overthrow the Venezuelan government had not been proven to Mexico's satisfaction. Taking then Ambassador Carrillo's suggestion, he said that he thought there was considerable merit in the idea that the Rio Treaty should not be invoked for relatively minor offenses of the type alleged by Venezuela but rather should be reserved for grave situations.

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- 3 -

Licenciado Diaz Ordaz recalled Mexico's position during the October 1962 missile crisis and said that the United States could be absolutely sure that when the chips were really down, Mexico would be unequivocally by its side. He added that Mexico, for example, might not perhaps know about the details of what was going on in Viet-Nam or Cyprus but that he and the Mexican Government understood perfectly well what the stakes were and that Mexico's interests in a show-down would be parallel to ours.

Ambassador Carrillo noted that this was a very significant statement by the President-elect.

Licenciado Diaz Ordaz then went on to say that the juridical distinctions made by Mexico might not seem to be logical or profound. He said he would not argue that they were. He would say, however, that they were the product of Mexico's history and of Mexican tradition and sentiment. It would be unrealistic and no favor whatever to the United States for the Mexican Government to take a position on this or other issues which would be contrary to the opinion of the majority of the Mexican people. A Mexican Government policy not supported by the Mexican people would not endure. Moreover, there was considerable advantage when the issues at stake were not great if Mexico could continue to demonstrate its political independence and divergence on relatively minor issues. While divergence on relatively unimportant matters might at times create temporary discomfiture they also demonstrated that the American States did in fact enjoy independence.

The President thanked Licenciado Diaz Ordaz for his statements that Mexico would stand side by side with the United States in the event of a major crisis and did not further pursue this topic.

COMMENT: It was apparent that Licenciado Diaz Ordaz shared the President's concern about the vitality of the Rio Treaty and that he intended to give the subject further thought. I did not get the impression that the Licenciado had foreclosed the possibility of reconsidering Mexico's future relations with the Castro regime.

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INCOMING TELEGRAM Department of State

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S E C R E T FEBRUARY 5

L I M D I S

DEPTEL 1618 INFO GUATEMALA 434,

I. WE BELIEVE THAT IN CIRCUMSTANCES ENVISAGED REFTEL, GOM WOULD CLOSE BORDER TO PREVENT MOVEMENT OF SUBVERSIVES. THIS MIGHT BE DONE EITHER SPONTANEOUSLY BY GOM, AT REQUEST OF GUATEMALAN GOVERNMENT IF SUCH IS RECOGNIZED BY MEXICO AT TIME OR POSSIBLY AT REQUEST OF OAS. IN LATTER CASE REQUEST WOULD PRESUMABLY BE DIRECTED OTHER CONTIGUOUS COUNTRIES.

2. BORDER WOULD PROBABLY BE'CLOSED EFFECTIVELY AT REGULAR OR

PAGE 2 RUESMO 148 S E C R E T ' 8"
ESTABLISHED CROSSING POINTS, BUT DETERMINED EFFORTS TO CARRY
OUT LIMITED CLANDESTINE MOVEMENT, IN MORE REMOTE AREAS, WOULD
UNDOUBTEDLY SUCCEED. GOM MIGHT PLACE SURVEILLANCE ON KNOWN
AND MORE DANGEROUS SUBVERSIVES AND TAKE STEPS TO PREVENT THEIR
APPROACHING BORDER AREA.

GP-1.

FREEMAN BP

Advance copy to S/S-Osat 1:05 p.m. 3/5/66 Passed to White House at 1:30 p.m. 3/5/66

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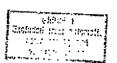
1. Dominican Republic

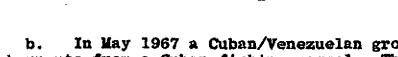
- 2. On Christmas Day 1966, Fernando Arturo de la Rosa, Dominican Communist, while returning to the Dominican Republic from a WFTU Conference in Budapest, was arrested in Caracas. De la Rosa was carrying numerous documents, sewn into the lining of his coat, which belonged to members of the Central Committee of the Dominican Communist Party. The documents included a report on the situation in Santo Domingo to the Central Committee of the Cuban Communist Party, notes on meetings with Manuel PINEIRO Losada, chief of the Cuban Intelligence Service, records of Cuban training promised the Dominican Communist Party, and a list of Dominican CP members trained in Cuba. In the report to the Cubans, the Dominican CP said that it was preparing for revolution in the D.R. by transferring arms to new bases of support, caching arms in safe sites, giving military training to CP members, and penetrating the Dominican Army.
- b. In January 1967, Dominican authorities detained three Dominicans at the airport as they were preparing to leave. A secret compartment in one of their bags contained reports on recent developments in the Dominican Communist Parties addressed to the Communist Party of Cuba and North Vietnam. Signed documents proved that the Dominican Communists were receiving financial aid from Cuba. Also found in a concealment device were copies of a letter addressed to the Cuban Communist Party and the Cuban Government requesting training for Dominican Communist Party members and photographs of a "classified" map of the Dominican Republic.
- c. Jose Ignacio MARTE Polanco, a member of the Dominican Marxist Leninist Popular Movement, was arrested in the D.R. in May 1967. After being trained as a clandestine communicator in Cuba, Marte returned to the D.R. and served as communicator for a clandestine espionage net. He was also involved in the counterfeiting of revenue stamps and forging government checks to collect funds for subversive activities. When arrested, agent communications materials were found in his home including miniature code books and one-time pads similar to those which are known to be used by the Soviets.

2. Venezuela

a. Venezuela is well known as Cuba's primary target for subversion in Latin America. Soviet-manufactured AK-13 weapons have been captured in Venezuela from guerrillas known to have landed in Venezuela from Cuba in July 1966. The boat and motors are known to have come from Cuba.

By Ch NARL Date 1-24-01





b. In May 1967 a Cuban/Venezuelan group landed at Machurucuto from a Cuban fishing vessel. The Venezuelan rebels were about to join guerrillas in the eastern mountains. They were supported by Cubans, known members of the regular armed forces and security services. Two Cubans were captured and two killed in this landing.

3. Bolivia

There is now a guerrilla movement active in Bolivia which is supported by the Bolivian CP. Eight top PCB leaders involved in this movement were trained in the Soviet Union. (Roberto PEREDO, whose farm north of Camiri is used as a base by the guerrillas, visited Moscow in 1966.) By their own admission, PCB guerrilla warfare experts working with the Cubans, are attempting to build an active front in Bolivia modeled after the Venezuelan FLN. We know of six Cubans who are engaged in these activities and of Communists from other countries such as Ciro Roberto Busto, liaison man from Argentine Communists, and Jules Regis Debray, French Harxist theoretician who is close to Castro. These Bolivian guerrillas are known to have had radio contact with Cuba using the same procedures as taught by the Soviets.

4. Mexico

- a. Mexico is well known as a focal point for Cuban/Soviet machinations. Through Mexico City, requests for training, the funding and supply of various Latin American Communist Parties and movements are serviced by the Cuban and Soviet installations. Travel to Cuba for guerrilla training for Latin Americans is arranged and financed by the Cuban Embassy in Mexico.
- b. In September 1966, the Mexican authorities uncovered an arms smuggling channel which had been providing weapons to Guatemala insurgents. Documents found indicated that over 4,000 weapons were sent via this channel. Julian LOPEZ Dias, a Cuban assigned to the Embassy in Mexico, was known to have been involved in the smuggling channel. LOPEZ was returned quietly and quickly to Havana.



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SAMITIZED—33

THE WHITE HOUSE WASHINGTON

Secret

Thursday - June 15, 1967

Mr. President:

This first-hand account of the situation inside Cuba

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has some interesting insights.

W. CAL Rostow

Attachment

SANITIZED E.O. 12953, Sec. **3.6** NLJ <u>95-361</u> By مصن NARA Date <u>11-8-</u>96

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MEMORANDUM

Mexican Ambassador to Cuba, Fernando Pamanes Escobedo, made the following comments to Embassy officer Francis Sherry on June 2, 1967.

- 1. Ambassador Pamanes feels popular discontent in Cuba is now stronger than ever. The main cause is food and clothing shortage with milk, meat and leather items in extremely short supply. Ration coupons are not being honored. Further discontent is caused by bad public administration and disruption of family and business life by partial mobilizations and cumpulsory work in the fields. Discontent has not reached the point where active resistance has started, but it is the Ambassador's opinion that discontent is now dangerously close to the point where people might express dissatisfaction in much stronger terms than they have up to now.
- 2. The Ambassador explained that the recent partial mobilization was for political as well as military reasons. Following the landing incident in Venezuela, components of the regular Cuban Army were deployed along Cuba's southern coast, particularly in Oriente province. Reservists were not called but Cubans activated numbers of vigilante and guard groups which in turn freed the regular Army troops from guard and other duties. Based on reports made by various people who had visited the southern part of Cuba, Pamanes estimated that more than 30 thousand troops were freed for defensive duties along the southern coast by placing guards and militiamen on alert status. This type of particl mobilization allowed Castro to further tighten the grip of the regime on the people although the Cubans also appeared genuinely apprehensive of possible Venezuelan reprisals backed by the United States. Without mentioning his name, Pamanes said that he was told by a Cuban official speaking privately that the Cubans foresaw the extreme possibility that the Venezuelans might bomb or shell Cuban installations or attempt limited commando raids along the Cuban coast.
- 3. During one of his travels to the port of Mariel in April 1967, Pamanes observed the unloading of an unidentified Soviet ship from a distance which included large, long boxes which he felt probably contained small to medium-size ground to air missiles. Four to six were being loaded on trailers of about 30-ton capacity each. Pamanes spotted 8 such trailers which were hauled away under strong escort. This is the only unloading of missiles observed by Ambassador Pamanes since his arrival in Cuba.

SECRET

2

- 4. In the course of a social function Ambassador Pamanes was recently told by two members of the Soviet Embassy in Havana that the Soviet Cuban relations are deteriorating. The Soviets took exception to the recent declaration by Castro that the only way to establish a Socialist system in Central America and South America is by violent subversive action. They also hinted their country is getting tired of paying to support a country which apparently has little faith or trust in the USSR.
- 5. The Ambassador was recently advised by a member of the Cuban Government that a new group of U.S. citizens would probably be allowed to leave in the not too distant future. Pamanes said he had not seen the Castro brothers since the winter of 1966. While Pamanes did not endorse the suggestion that the Cubans are using the eventual release of U.S. citizens still in Cuba to better their relations with Mexico when frictions occurred between the two countries, he admitted there is little doubt in his mind that the Cubans are using the issue of the release of U.S. citizens as a "political card."
- 6. Ambassador Pamanes confirmed that the Mexican Embassy in Havana was practically emptied of Cuban asylees at the time of the first group of U.S. citizens were freed from the island. Only 4 remain from that group, but another 13 have since joined them.

INCOMING TELEGRAM Department of State

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REF PARA I LAST SENTENCE REFTEL: I HAVE BEEN INFORMED SINCE RECENT ARRIVAL THIS POST THAT GOM HAS INFORMAL UNDERSTANDING WITH US AT HIGHEST LEVELS TO MAINTAIN RELATIONS WITH CUBA SO ONE OAS COUNTRY CAN HAVE FOOT IN DOOR WHICH MIGHT SOMETIME BE HELPFUL. WE HAVE NO DOCUMENTATION ON THIS HERE BUT IF TRUE WE MIGHT NOT WISH LEAVE IMPRESSION WITH GOV WE ARE WILLING DEARBORN BET

SECRET

THE WHITE HOUSE WASHINGTON

Confidential September 8, 1967

NOTE FOR WALT ROSTOW

5

About a year ago the Mexicans managed to repatriate a couple of plane loads of Americans from Cuba.

After this initial run, the Cubans cut off the flow. Renewed Mexican efforts to resume flights failed.

Coincidentally the Mexican Ambassador seemed to lose entre with Castro.

The Mexican Government is now replacing him with a new Ambassador.

Tony Freeman's report on his conversation with the new man (attached) tells what he is prepared to do to spring more Americans loose.

While WGBowdler

Attachment

Mexico's Embtel 1041, 9/7.

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By , NARS, Date 5-23-79

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Department of State

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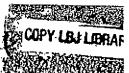
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I BEFORE RECEIPT REFTEL. I HAD ALREADY ARRANGED THROUGH ALFONSO MARTINEZ DOMINGUEZ FOR PRIVATE MEETING AT HIS HOUSE SEPTEMBER 6 WITH NEWLY APPOINTED AMBASSADOR TO CUBA MIGUEL COVIAN PAREZ. IN CONTINUED ABSENCE FONSEC CARRILLO FLORES AND WITH POSSIBILITY I MIND LATTER MIGHT NOT RETURN PRIOR TO COVIAN®S DEPARTURE FOR HAVAN I DECIDED DISCUSS SUBJECT REPATRIATION OF AMCITS DIRECTLY WITH CO

2. AFTER OUTLINING PROBLEM ALONG LINES REFTEL, I DISCOVERED COVIATALREADY CAREFULLY BRIEFED BY FONOFF ON SUBJECT AND HAD FORMED "PERSONAL OPINIONS" RE CUBAN REJECTION UNTIL PRESENT, OF GOMES EFF S TO RENEW REPATRIATION MOVEMENT. THESE CAN BE SUMMARIZED AS FOLLOWS.

PAGE 2 RUESMO 1041 C O N F I D E N T I A L
A CASTRO HAD AGREED IN 1966 TO INTIIAL TRIAL REPATRIATION NOT ONE
AS FRIENDLY GESTURE TOWARD MEXICO BUT ALSO IN EFFORT DERIVE
POSITIVE BENEFITS VIS A VIS U.S.
B. MISLEADING STORY REPORTED IN MEXICAN PRESS: FOLLOWING
FIRST FLIGHTS. THAT REPATRIATION REALLY RESULT OF EFFORTS OVER





Department of State TELEGRAM

-CONFIDENTIAL

PAGE 02 MEXICO 01041 072106Z

EXTENDED PERIOD BY SWISS AMBASSADOR TO CUBA RATHER THAN GOM EMBASSY, NOT APPRECIATED BY CASTRO.

C. ALTHOUGH U.S. EFFORTS TO PREVENT OUTBURST OF CRITICAL STATE-MENTS BY REPATRIATES QUITE SUCCESSFUL, CASTRO HAD PROBABLY LOCKED IN VAIN FOR INDICATIONS OF SOME POSITIVE RECIPROCAL BENEFITS AS QUID FOR THE QUO OF PERMITTING REPATRIATION. (COW: AN QUITE VAGUE AS TO BENEFITS CASTRO MIGHT HAVE EXPECTED, BUT HE MENTIONED NEGATIVE INFLUENCE EXERTED BY U.S. ON POSSIBLE TRADE DEALS WITH CANADA AND L.A. I COUNTERED WITH ASSERTION OUR INFLUENCE OVER SUCH MATTERS WITH CANADA MINIMAL, AND CUBA CAN STILL OBTAIN PRACTICALLY ANYTHING IT REQUIRES FROM EASTERN OR WESTERN EUROPE AND ENGLAND.)

D. DURING PAST FEW MONTHS INFLUENCE IN HAVANA OF AMBASSADOR PAMANES HAS DEOPPED TO NEAR ZERO (FOR REASONS NOT SPECIFIED BY

PAGE 3 RUESMO 1041 CONFIDENTIAL
COVIAN; AND HE HJZAUNOP#INABLE
TO SEE SINGLE HIGH CUBAN OFFICIAL.
THIS PRINCIPAL REASON WHY COVIAN NOW REPLACING PAMANES. AND GOM
HAS HIGH HOPES HIS MISSION WILL ACHIEVE FAR GREATER DEGREE
SUCCESS.

3. COVEAN EXHIBITED FULL APPRECIATION CRITICAL NATURE OF ASSIGNMENT AND PARTICULARLY OF TIMING HSI ARRIVALE FOLLOWING OLAS CONFERENCE AND PRECEDING MFM. HE FLIES TO HAVANA FEBRUARY 11 (FOLLOWING FINAL CONFERENCE WITH CARRILLO FLORES) AND EXPECTS PRESENT CREDENT ALL STONE OF TWO DAYS LATER. HE ALSO EXPECTS HAVE PRIVATE INTERVIEW WITH CASTRO SHORTLY THEREAFTER AND PRIOR TO MFM. HE DOES NOT MINIMIZE IFFECT LATTER MAY HAVE ON TEMPERATURE GOM-GOC RELATIONS. BUT APPEARS TO BELIEVE THAT CONTINUED CUBAN-MEXICAN DIPLOMATIC TIES CARDINAL OBJECTIVE GOC POLICY.

4. COVIAN BELIEVES IT IMPORTANT TO ESTABLISH FROM OUTSET THAT HE IS EXCLUSIVELY GOM AMBASSADOR TO CUBA AND NOT "UNDEFICIAL REPRESENTATIVE OF U.S.". THEREFORE FIRST PRIORITY OBJECTIVE WILL BE EXCLUSIVELY GOT+GOM PROBLEMS EVACUATION OF REMAINING SILEES WHICH NOW NUMBER. 12. COVIAN STATED PAMANES HAS BEEN UNABLE TO



Department of State

TELEGRAM

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PAGE 03 MEXICO 0:041 072106Z

PAGE 4 RUESMO 1041 CONFIDENTIAL ARRANGE FOR EVEN ONE SUCH EVACUATION THIS YEAR.)

5. ONCE THIS MATTER ARRANGED. OR APPROPRIATE ASSURANCES OBTAINED. NEXT PRIORITY OBJECTIVE WILL

BE RENEWAL REPATRAITION AMOITS. IN
MEANTIME COVIAN WILL BE ENDEAVORING ASCERTAIN WHETHER HIS ESTIMATE
OF REASONS GOD OBOURACY(PARA 2 ABOVE) CORECT AND WHAT, IF ANYTHING, CASTRO MIGHT HOPE TO GAIN THROUGH RENEWAL AMOIT REPATRIATION
PROGRAM. HE ASSURED ME HE WOULD REPORT ALL DEVELOPMENTS PROMPTLY TO FONSEC FOR TRANSMITTAL TO ME, AND THAT HE WOULD ALSO MAINTAIN
INFORMAL AND UNOFFICIAL CONTACT WITH ME VIA ALFONSO MARTINEZ

DOM INGUEZ .

60 COMMENTO IT IS CLEAR THAT AFOREMENTIONED PRIORITIES HAVE FULL CONCURRENCE FONSEC AND GOM AND THAT WE THEREFORE CANNOT EXPECT IMMEDIATE FAVORABLE ACTION RE AMCITS FOLLOWING COVIAN'S ARRIVAL.

CUBAD I DO NOT CONCURDHOWEVERD IN JUDGEMENT EXPRESSED PARA 3

REFTEL THAT "MEXICANS HAVE TAKEN CASTRODS STALLING WITH EQUANIMITY" REPLACEMENT OF PAMANES BY COVIAN ONE OF DIRECT RESULTS GOC STALLINGD AND HE GIVES EVERY EVIDENCE OF POSSESSING YOUTHD VIGORD IMAGINATIOND INTEGRITYD INTELLIGENCE AND TOUGHNESS THAT SITUATION

PAGE 5 RUESMO 1041 CONFIDENTIAL

DEMANDS. HIS SUCCESS IN THIS MATTER, HOWEVER, MAY DEPEND TO CONSIDERABLE EXTENT ON RESULTS FORTHCOMING MFM. I TRUST DEPART **

MENT WILL HAVE THIS IN MIND WHILE PRESSING MEXICO TO ADOPT TOUGHER ATTITUDE TOWARD VENEZUELAN RESOLUTION, AND WILL UNDERSTAND SHOULD GOM DECIDE IT MUST ABSTAIN FROM ANY RES WHICH SPECIFICALLY CONDEMNS CUBA (AS DISTINCT FROM OLAS) AND CALLS FOR SANCTIONS:

7. I WILL OF COURSE DISCUSS WHOLE MATTER ALSO WITH CARRILLO FLORES FOLLOWING HIS RETURN FROM ASUNCION THIS WIEEKEND.

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THE WHITE HOUSE WASHINGTON

Monday, Sept. 18, 1967 5:00 p.m.

MR. PRESIDENT:

This report on Castro's soon permitting the return of Americans from Cuba -- and his alleged reasons for delay (p. 3) -- may interest you.

SECRET EYES ONLY attachment

DEPARTMENT OF STATE

ADMINISTRATOR

Bureau of Security and Consular Affairs

Affairs Wild McCastore September 15, 1967 59a

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MEMORANDUM TO:

The Secretary

The Under Secretary O - Mr. Idar Rimestad

- 5/1 BKR

FROM:

SCA - Barbara M. Watson

SUBJECT:

Repatriation of American Citizens now being held in Cuba INFORMATION

MEMORANDUM

I have received word on a very confidential basis that those American citizens who have been held in Cuba can in the near future 14) be expected to receive Castro's permission to return to the United States via Mexico.

> Last March when was in the Department briefing us regarding his Hanoi trip and asking validation of his passport for travel to Cuba on another assign-I outlined to him the difficulties we were encountering in effecting the repatriation of U.S. surprised to hear this for when he was last in Cuba he had discussed this many than the was last in Cuba he citizens who desire to leave Cuba. 1 had discussed this matter with Castro and had been given to understand that no impediment had been interposed preventing the departure from Cuba of U.S. citizens. was not aware that since last December when we were successful in securing the exit of 169 U.S. nationals and their Cuban family members through the mediation of the Mexicans, our efforts to repatriate the remaining

SANITIZED E.O. 12958, Sec. 3.6 NLJ 95-362 By ... , NARA Date 8-31-96

U.S. nationals and their relatives, numbering approximately 3,000, have been singularly unsuccessful. The unresponsiveness of the Cuban Government has even given rise to speculation that Castro might have in mind holding them as hostages.

I appealed to the knowing his close and friendly relationship with Castro--to attempt to find out just why our efforts to return those U.S. citizens still residing in Cuba have been so unavailing.

agreed to carry out the request, feeling that to do so was his duty as an American citizen even though, as he noted, he strives to maintain a neutrality in such matters so that his effectiveness as an independent, objective reporter may not be jeopardized.

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thas now returned from Cuba and has informed me that he did talk with Castro about this problem and that Castro stated that all American citizens will be permitted to depart Cuba. (My conversation with took place by telephone but, because of our mutual understanding of the persons and the problems involved, we agreed to carry on this conversation in indirect terms; names of persons and places were not mentioned.)

According to Castro stated that he had agreed to the principle of the evacuation of the U.S. citizens via Mexico. It was Castro's expectation last December that the two planeloads of American citizens and their Cuban relatives which were then permitted to leave Cuba would be only the first of many which would leave on a regular and more or less routine basis until all U.S. nationals, who so desired, were evacuated. Castro, in giving the reasons why the Cuban Government has not been responsive to Mexican and Swiss efforts to repatriate American citizens, referred to several incidents and circumstances which combined to provoke the Cuban Government so as to bring about the cessation of the evacuation.

SECRET

One was the harassment of Cuban athletes participating in the Olympic games held in Puerto Rico last summer. The athletes were not permitted to remain overnight ashore, were forced to sleep on the boats and were harassed in other ways; all of which enraged the Cubans. For another, it appears that Swiss efforts to bring about the return to the United States of U.S. nationals and their Cuban relatives were if anything, counterproductive. Castro told that former Swiss Ambassador Stadelhofer made a number of mistakes and, seemingly, his biggest was his trying to enhance his own reputation by seeking credit for resolving this problem of repatriating U.S. citizens. Castro, reportedly, refused to deal with Stadelhofer or even his successor on this subject.

Castro indicated to character and conduct of whom he referred to as a "bad sort," was probably the primary reason for the stoppage of the airlifts of U.S. nationals. was, reportedly, found to be selling departure permits and was also said to be indulging in black-marketeering. When Castro learned of this, he refused to have anything to do with a result, his effectiveness on behalf of his own government and ours was terminated. The Cubans, reportedly, pressured the Mexican Government into replacing him and, as we now know, he has been replaced by Ambassador said that Castro is impressed with the new Ambassador, considers him to be an intelligent and honest strong impression that Castro It is \ not only has no desire to keep American citizens in Cuba but is actually anxious to see them leave. Castro told him that he expects that through the good offices of the new Mexican Ambassador repatriation of all American citizens who wish to leave Cuba will be accomplished.

which may be of interest to us but which he preferred not to discuss on the telephone. I plan to see him in New York next week.

Copy to: ARA - Mr. Oliver

SCA: BiWatson: jm

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1. NEW MAYOR OF GUADALAJARA REVEALED

On October ⁸ the PRI formally announced its candidate for mayor of Guadalajara, Lic. Efrain URZUA Macias, who is presently Sub-Secretario General de Gobierno in the administration of Governor Francisco MEDINA Ascencio. His selection was a surprise to all concerned; he was never mentioned as being among the front-runners, though he had been mentioned casually as a possible compromise candidate. He is thought to have been backed by Governor Medina Ascencio. He is an achromatic, intelligent, and competent public servant who has no particular following or power in his own right. However, it is rumored that he was the least controversial of the contenders and a "team player". He is 46 years old, a lawyer, graduate of the University of Guadalajara, and generally known to be friendly to the United States.

While the PAN has not decided as yet whether or not it will oppose the PRI candidate in the Mayor's race, Urzua's election is a certainty.

2. SELECTION OF PRI CANDIDATES FOR STATE DEPUTIES (JALISCO)

On October 20, the Executive State Committee of the PRI made public its final list of candidates for the State Legislature, which will take office on February 1, 1967. Since the opposition parties do not plan to contest these elections, nomination by the PRI is tantamount to election. The manner in which the candidates were selected gives an iluminating insight into the modus operandi of the PRI at the state level.

Jalisco is divided into 18 electoral districts and certain of these districts have traditionally been spheres of influence or "Cacicazgos" of various politicians who have, through money, time, friendships, dispensation of favors, and in some cases, use of force, created fieldoms in which they select mayors, city councilmen, state, and sometimes federal deputies.

Typical of this type of political entity is Guadalajara's principal suburb, Tlaquepaque. For more than fifteen years now Tlaquepaque has been the unquestioned domain of Francisco SILVA Romero, president of the CROC (Confederación Regional de Obreros y Campesinos). A labor leader-politician all of his adult life, this 54 year old Cacique completely controls the political life of Tlaquepaque and has used his power to get himself appointed Diputado Federal (1961-67) and now Diputado Local, both times for the same district, Tlaquepaque.

The head of the CTM in Jalisco, Heliodoro HERNANDEZ Loza, erstwhile Diputado Federal, likewise was selected for one of the state deputy seats. The CTM and the CROC are traditionally conceded state deputy seats in exchange for their loyalty to the PRI.

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A somewhat more classic example of how the <u>curules</u> are distributed is to be found in the continuing influence exercised by Don Margarito RAMIREZ, former Governor of Jalisco and Campeche, who has as his center of influence the area around Atotonilco el Alto, a municipality of approximately 18,000 inhabitants but which is the political headquarters of an area of approximately 65,000 persons. Don Margarito exercises his influence through his son, Lic. Carlos RAMIREZ Ladewig, erstwhile EXXFederal Deputy and would-be mayor of Guadalajara. (See our August Political/Economic Report.)

As pointed out in that report, his position on the extreme left of the political spectrum ruled out any possibility of his being elected mayor of Guadalajara. However, through his control of the Guadalajara Student's Federation (FEG) he still wields considerable influence in state politics and accordingly handpicked Dr. Adalberto GOMEZ Rodriguez, a personal friend who, as a matter of interest, has no ties whatever to the district which he has been selected to represent other than a business and personal association with Lic. Ramirez Ladewig, as the next state deputy from the Ramirez Cacicazgo.

The <u>Sector Femenil</u> was given one candidate, Ana Isabel DUEÑAS, a school teacher, excellent orator, and an old friend and confident of Governor Medina Ascencio.

The present Secretary of Defense, General Marcelino GARCIA Barragan, who still controls politically the area around Autlan de la Granja, selected his friend and confidant, Leopoldo GODOY Cisneros, to represent that area in the legislature.

The Gallista faction (see our September Report) selected ex-mayor of Guadalajara, Dr. Juan MENCHACA, to represent ex-Governor Jesus GONZALEZ Gallo's district, Yahualica.

The present mayor of Guadalajara, Lic. Eduardo AVIÑA Batiz, was nominated for the La Barca-Ocotlan area. Interestingly enough, Lic. Aviña Batiz, before becoming mayor, was state deputy from the Ciudad Guzman district.

On balance, it appears that the selections for state deputies follow the pattern of the PRI nationally. Every effort is made to parcel out placebos to those factions whose support is felt to be essential to the continued good health of the Party. This is apparently done without regard to the wishes of the people whose interests are theoretically furthered and defended by their elected representatives. Consequently, candidates are selected to represent regions of which they are not residents, of which they have no specialized knowledge, and in which

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they have, in many cases, no particular interest except furthering their personal political careers. The only apparent criterion is that they "play ball" with the Governor and be acceptable to the PRI State Executive Committee.

It is also interesting to observe how influential politicians manage to move between Federal, State, and Local positions with no apparent regard to the loss or gain of influence or status involved. No less than four of the candidates for State Deputy seats have just completed terms as Federal Deputies; three are ex-mayors, and one has been both a mayor and Federal Deputy.

After the candidates for <u>diputados</u> were officially designated, nominating conventions were held in each of the headquarters cities of the electoral districts. In these conventions, the various sectors affirmed their allegiance to the State Executive Committee and dedicated themselves to the election of the party's choices. These meetings were characterized by "spontaneous" demonstrations of enthusiasm for the candidates and ubiquitous placards proclaiming the candidates' suitability, dedication to the Revolution, honesty, and so forth, though the vast majority of those present had no voice whatsoever in the selection of their standard bearers. The representatives from the various constituent municipalities delivered impassioned speeches extoling the virtues of the <u>diputados-to-be</u>, often approaching the dithyrambic.

Opposition to the present method of selecting candidates is increasing. After the first tentative list of candidates was published on October 8, four revisions had to be made before the final list was announced on October 20. Most of the changes resulted from protests arising from various factions who found, for one reason or another, that certain candidates were unacceptable. However, most of the complaints were based not on the candidates' basic qualifications to perform effectively as elected representatives but on their having offended at one time or another one of the important interest groups in a previous political in-fight. That is to say, that because state deputies have no power in their own right due to the all powerful position of the state executive, their political palatability continues to be more important than their ability or integrity. This situation is unlikely to change in the foreseeable future.

3. OPPOSITION TO ROBLES MARTINEZ DEVELOPS IN COLIMA

Ing. Jesus ROBLES Martinez, Director of the Banco Hipotecario Urbano y de Obras Públicas, has for a number of years been the dominant figure in Coliman politics, even in absentia. (See Guadalajara's A-67 of June 22, 1966). However, with the selection of the candidates for local deputies during the first week of October, a number of politically active Colimans have come out in opposition to his continued manipulation of the State Executive Committee of the PRI and the installation of his "titeres" (puppets) in local political offices. The latest

example of Robles' "interference" in state politics was the selection of Hermenegildo GUTTERREZ as candidate for diputado local from Tecoman over the opposition of various sectors of the local PRI apparatus. Gutierrez, who is the foreman of one of Robles' many ranches in the vicinity of Tecoman, was approved by the State Executive Committee after, according to the dissidents, Robles personally intervened in his behalf.

Those who opposed Gutierrez on October 4, formed a Comite de Dignificación Ciudadano Colimense to express their disgust with the imposition of Robles' candidate and solicited the support, through several newspapers, of Dr. Lauro ORTEGA, President of the PRI. However, no support from Dr. Ortega or any other national figure of the PRI has been forthcoming.

Comment: Ing. Robles Martinez, who was elected Federal Senator from Colima in 1964, a position from which he resigned to accept the directorship of the Banco Hipotecario, is reputedly the wealthiest man in Colima and a ruthless power-seeker. It is said that he has spent millions of pesos to develop his influence in the state and is reluctant to relinquish it.

He is also said to be one of that semi-anonymous group of businessmen who actually run the PRI nationally. At any rate, he is feared and respected in Colima and efforts to diminish his influence have thus far been to no avail. It appears that only time or a violent manifestation of opposition to his power will alter the situation.

4. CENTER FOR ADVANCED STUDIES FOR AGUASCALIENTES

Governor Enrique OLIVARES Santana announced on October 3, plans for the creation of a Center for Higher Studies in the capital of Aguascalientes, to be co-sponsored by the Federal Government and the state. Conceived as a regional <u>Unidad Cultural</u>, the projected institution will be affiliated with the <u>Instituto de Ciencias de Aguascalientes</u> and will include a graduate school of Odontology and Obstetrics. President GDO has approved the basic plans for the Center which is scheduled to receive its first students in 1969. It is anticipated that the Center will attract students from the neighboring states of Zacatecas, Guanajuato, Jalisco, and San Luis Potosi, and will involve an initial investment of 12 million pesos.

5. VIOLENCE AT THE TECHNOLOGICAL INSTITUTE OF GUADALAJARA

On September 29, the <u>Escuela Politecnica</u> of the University of Guadalajara was the scene of a savage outburst of student violence connected with the never-ending struggle for control of the student organizations

6

in Guadalajara. As reported in the September Political/Economic Report, a group of leftist students at the Politecnico, led by Jose FLORES Ramos, a known communist and professional student, has been attempting to gain control of the student organization which presently is controlled by the FEG (Federación de Estudiantes de Guadalajara). In this particular case, one female student was shot in the leg; various male students, Flores Ramos included, suffered injuries which included contusions, abrasions, cuts, and bruises. The melee lasted over thirty minutes and weapons included baseball bats, bricks, knives, brass knuckles, and pistols. Though only nineteen students reported injuries, estimates of the number actually injured run as high as fifty. In spite of the fracas' receiving extensive coverage in the local press, no arrests have been made.

Comment: Though isolated outbreaks of student-inspired violence occasionally take place in Guadalajara, they are no longer directed by the leadership of the FEG. Students in Guadalajara have long enjoyed a certain immunity from arrest and prosecution by the Police authorities due to the political and disruptive power of the FEG. However, the FEG leadership of late has come out against violent means of settling disputes. As the FEG becomes more moderate, opposition from leftist student groups grows, sometimes violently. As this incident proves, the tradition of resolving political disputes among students by non-pacific means dies slowly.

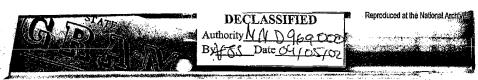
6. SITUATION STABILIZES IN LAKE CHAPALA AREA

With the apparent end of the rainy season in the Jalisco-Michoacan area, the critical situation caused by the imminent possibility of wide-spread flooding in the Cienega of Lake Chapala appears to have been abated. Though the Lake continues to be several centimeters above what is generally considered to be a "safe" level, there has been no rise in the lake in the past week and the only areas actually flooded are those which were reported last month. Losses in corn and bean crops are estimated to be approximately 10,000,000 pesos; practically all of these losses being registered in the Lake Chapala Cienega in the vicinity of Jamay-Maltaraña, Jalisco. Though crop losses in the immediate vicinity of Lake Chpala have been considerable, for the State of Jalisco as a whole the heavy precipitation during August and September had a salutary effect. Crop yields throughout the state promise to be higher than ever.

The local office of Recursos Hidraulicos believes that the crisis has passed and the the lake can be expected to recede slowly from its present dangerously high level to a more normal one during the next few weeks.

MONTTIOR

OLIGINY ACTION POL I MEX-US ARA(IRG)=0 REP FOR RM USE ONLY CONFIDENTIAL A-90 cυ INR то : Department of State 10 FBO AID RS/AN-HALL 68 DATE: 17 February 1969 : American Embassy - MEXICO CITY AGR СОМ SUBJECT: FY 1971 Country Analysis and Strategy Paper for Mexico TR XMB REF NAVY ARMY CIA DEPARTMENT OF STATE Attached is the Fiscal Year 1971 Mexico CASP. This INTER-AMERICAN AFFAIRS OSD USIA NSA CASP represents a Country Team effort. The list of participants and the drafting credits are included FEB 1 8 1969 in the enclosure. CHARGÉ DCM POL CCA ECON USIS ADM-2 DEF LEGAT Enclosure: COM AGRI Country Analysis and Strategy Paper 53 တ M $\underline{\infty}$ CONFIDENTIAL FOR DEPT. USE ONLY FORM DS-323 X In Out Drafted by: ontents and Classification Approved by ADM:DCLeidel 6 Minister Dearborn Clearances: POL:WWStuart



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COUNTRY ANALYSIS AND STRATEGY PAPER

FY 1971

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COUNTRY ANALYSIS AND STRATEGY PAPER -- MEXICO

PART I - RATIONALE AND BASIC STRATEGY

720

The United States has a special stake in Mexico and its future. Given the common frontier of almost 2000 miles, Mexico's ability to maintain reasonable political stability and a broad compatibility with U.S. aims and institutions is essential to U.S. security. Economically the country is one of our largest export markets and the recipient of large U.S. direct investments. Mexico also enjoys influence within Latin America, and to some extent in the developing world at large, that can have considerable impact, for good or ill, on the achievement of U.S. international objectives.

U.S. policy must operate against the backdrop of Mexico's special view of the United States. Our policies and actions are of prime importance and of constant concern to the Mexican leadership. Old interventions still influence domestic political attitudes and the country's foreign policy. Despite Mexico's substantial economic dependence upon us, domestic political realities and strong nationalistic sentiments impel it to act as independently as possible.

In this situation, the key $U_{\bullet}S_{\bullet}$ interests in order of priority are defined as follows:

1. Preservation of U.S. national security

This means the preservation of Mexican independence and security under a government whose objectives are compatible with our own, even though its institutions may differ, and with continuing political stability based on widespread popular support. It accords high priority to the preservation and strengthening where possible of present Mexican cooperation on matters of security importance.

2. Promotion of common economic interests

This recognizes that continued healthy economic development in Mexico is essential not only to social progress and political stability but also to the preservation of *substantial and growing U.S. economic interests in the country, which in turn contribute to its development.

3. Strengthening of special bi-lateral relationships

This recognizes the existence of numerous special bonds as well as practical problems arising out of geographic proximity, economic involvement and cultural interaction, and it requires close inter-governmental relationships based on mutual respect and consideration for each other's interests, regardless of some ideological or policy differences.

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4. A more helpful Mexican international role

This accepts the continued subordination of Mexican foreign policy to domestic political considerations and recognizes that Mexican interests may at times diverge from our own. With these reservations, it calls for more active and responsible Mexican participation in international affairs, particularly within the hemisphere.

Basic U.S. Strategy

Broadly speaking, the trend in Mexico in recent years and the present situation is favorable to these key U.S. interests. The problem of U.S. strategy is thus not so much to change an unsatisfactory situation or to reverse adverse trends but rather to ensure that a generally favorable situation continues to evolve in a favorable way. U.S. strategy is based on recognition that Mexican institutions and development programs have brought internal stability, widespread support for the government, and a very satisfactory rate of economic development.

This strategy relies for implementation chiefly upon traditional diplomatic means of persuasion. It envisages an active information and cultural program with room for enrichment and modest augmentation of current activities to make them more attractive to our prime Mexican audiences - particularly students. It includes a Military Assistance Program of approximately the present scope directed toward the development of a small but highly professional armed force, adequately equipped and trained to meet its responsibilities for the maintenance of internal security and the integrity of its coastal waters. The current small AID Program will shortly be limited to projects of regional interest using regional funds. U.S. strategy also relies upon the constraints imposed on the Mexican government by the ties already existent with the U.S. and projected for the

U.S. leverage, however, is circumscribed by Mexican hypersensitivity to overt U.S. pressures which, if not used with care, would either prove counterproductive or undermine political stability.

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In the political sphere the major existing or potential problems are:

- (1) There is a significant and growing demand from within the PRI for democratization and decentralization of political processes. This is particularly true of younger party members and of state and municipal leaders distant from the national center. The PRI leadership is aware of the restlessness. At the same time it fears that any significant loosening of the PRI's hierarchical control will open the way to destructive factionalism as indeed might occur. If the next PRI presidential nominee does not make some concessions to these demands we foresee increasing desertions to opposition party ranks and greater alienation among younger PRI elements.
- (2) A number of developments may make it harder for the PRI sectors to maintain their internal cohesion or compromise their differences with other sectors of the governing coalition. PRI control of the agricultural sector which has rested in part on the land distribution program faces a growing shortage of distributable land. Labor leaders have a high average age and their replacement by younger leaders may involve divisive power struggles within that sector. There are indications that the government will lean more toward labor than business in the next few years and this could put strain on the extra-party, but nevertheless important, relationship between business and government.
- (3) The recent mobilization of Mexico City students in active protest against the government and PRI adds another element of uncertainty. The large number of students congregated in the national and state capitals and their susceptibility to radical ideas will constitute, throughout the period, a threat of disruptive and destabilizing activity. Partly in response to this threat, partly in response to more basic patterns in Mexican politics, the next PRI presidential candidate may at least initially project a moderately more leftist, demagogic, and nationalistic image than Diaz Ordaz.
- (4) We anticipate that opposition parties will play a more forceful and independent role in Mexican politics. The PAN has tasted significant electoral success and is less willing to play the role of political mendicant. Dissent within the PRI may give birth to new parties. Continued PRI refusal to pay more than lip service to the concept of political opposition will increase the general level of political frustration and might lead to ad hoc alliances between moderate oppositionists and those who seek radical change.

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Key Issues

1 a. Should the U.S. encourage the PRI Government's adaptation
 to a changing political environment?

Simplifying drastically, we see two currents of thought among Mexican political leaders on the question of future political structure. One, the dominant, seeks to maintain political stability by strengthening the present system, with few or no structural changes. This has meant the inclusion of most important interest groups within the FRI and constant effort to co-opt, suborn or otherwise limit opposition. In practice it has led to an increasingly close tie between the party and the government and to increasing centralization of decision-making. Popular participation is restricted to formal and many-layered channels. The second, which seemed to be gaining ground during the early part of the Diaz Ordaz administration, seeks to modify the present system by democratic reforms and by accepting the threat of a strong opposition.

A case can be made that Mexico is not ready for more democratic politics and that U.S. security interests are best served by a continuation of the PRI's centralized monopoly of power even, if necessary, at the expense of popular support. Radical changes in the system, such as open party primaries, do pose grave problems for the party and, in the short run at least, for stability. But the attractiveness of this position declines as one looks further ahead. PRI insistence on old patterns of political control will further alienate those elements whose main objections relate to party-government overlap and excessive centralization. The growing complexity and strength of interests that must be reconciled, the existence of a substantial group (the students) with little interest in being manipulated, the developing political sophistication of many Mexicans, and the subtle influence of our own political system, question the longer term efficacy of all-embracing paternalism.

Mexico's political control system is not likely to change abruptly, and our influence in any event will be minimal. But, to the extent possible, we should encourage those adaptations which will increase popular support and participation in political processes. At the same time, we should recognize that the present system has provided a political framework for stability and progress on a broad front. Hence we should encourage adaptations only at a pace determined by developments in Mexico and in consonance with the views of those in command, at least as long as Mexican leadership continues to show the level of competence it has shown heretofore.

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AIR ARI			SUBJECT: Municipal Government in Jalisco: 1968								
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10 3			This report is essentially a brief critical analysis of contempo-								
SUCCESTE	SUGGESTED DISTRIBUTIO		rary government in Mexico at the "grass roots" level. It is neither concerned with nor bears any relation to cities such as Mexico City.								
, , , , , , , , , , , , , , , , , , , ,	DISTINE		Guadalajara, or Monterrey where, to a significant extent, the city government is but an adjunct to the state or federal government and								
		A'.	therefore atypical of the government of a municipio. These opinions are based on observations of the actual modus operandi of a group of								
			relatively small Jaliscan municipalities: La Barca, population 43,000; Ocotlan, population 36,500; and Jamay, population 12,000.*								
eos	r ROUTING	- Egen	Theoretical and legal considerations The Mexican constitution contains the following provisions which apply to the states and municipalities:								
TO; Acti		Initials									
DCM		10 to 10 to	"For their internal government, the states shall adopt the								
ECON			popular representative, republican form of government, with the free municipality as the basis of their territorial divi-								
ADM			sion and political administrative organization Each muni- cipality shall be administered by a council (ayuntamiento),								
USIS			elected by direct popular vote, and there shall be no inter- mediate authority between this body and the government of the								
			state								
			*The term "municipality" as used here refers to the administrative unit in Mexico which approximates the "county" or "township" in the								
Action Take	n:	L	USA. It includes the urban center and the outlying communities which comprise the municipio.								
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Municipal presidents (Presidentes Municipales) and aldermen (Regideres), chosen by direct popular election, may not be reelected for the term immediately following. (Emphasis added)

These constitutional provisions form the organic underpinning of municipal government in Mexico and at the same time theoretically militate against the development of political dynasties at the municipal level. Another very important constitutional stipulation provides that "municipalities shall freely administer their finances...and shall be invested with juridical personality for all legal purposes. However, the federal executive and the governors of the states shall command the public forces in the municipalities where they customarily or temporarily reside."

The term "public forces" as cited above has been interpreted by the Mexican Supreme Court to include "all federal, state, and municipal forces" and has resulted in the federal government, on various occasions, assuming active control of local and state militias without consulting the municipal authorities affected. This provision has consequently resulted in the federal government exercising absolute power over the states and municipalities in a manner unknown in the United States. However, aside from the question of control of the "public forces", the Mexican Constitution clearly grants to the municipalities the right to govern themselves as cognizable political units. So much for theory and legality.

The Role of "El Invincible"

Any discussion of government in Mexico, at whatever level, must devote considerable attention to the role of the "official" party, the Partido Revolucionario Institucional. Though the Mexican Constitution foresaw and legalized the development of political parties it never anticipated the FRI. Hence, above and beyond the tri-partite government envisaged in the constitution of 1917, stands the ubiquitous "official" party, and perforce municipal government is controlled and directed, with rare exceptions, through the national, state, and municipal committees of the PRI. Since the outcome of elections, whether they be at the local, state, or federal level, is a foregone conclusion, nomination by the PRI is tantamount to election. Therefore, the real election takes place within the PRI at its nominating conventions. At the municipal level this means. inter alia, that the presidente municipal and the regidores must be approved by both the local FRF organization and the State Executive Committee before they are officially nominated. It also means that the municipalities are ipso facto satellites of the State Executive Committee of the PRI; that is, they cannot in any real sense select their governments.

Municipal Government in Action

The election of the <u>Presidente Municipal</u> is the event which most arouses political interest in the average Jaliscan. The <u>Presidente</u> is, by law,

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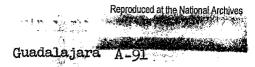
a resident and by custom a native of the town in which he governs. He (or she in rare instances) is usually a successful businessman or farmer and member of a prominent local family. He may or may not be devoutly Catholic but his wife and daughters will be, and under no circumstances will he be a Protestant, legalized freedom of religion notwithstanding. He may or may not be personally popular with his constituency but he is respected or feared. In addition, of course, he must be acceptable to the State Executive Committee of the PRI.

The intellectual capacity of the <u>Presidente</u> apparently depends on the size and importance of the municipality which he governs. For example, not one of the <u>Presidentes</u> of the three municipalities on which this report is based has the equivalent of a high school education. One is barely literate with almost no knowledge of the world outside his fiefdom, while the other two are quite conversant about local, state, and national issues. The State Executive Committee of the PRI has, of late, tried to change the image of the local <u>caciques</u> from that of blundering ignoramuses to one more favorable. Nevertheless, most of the <u>Presidentes</u> are not educated beyond the primary school level and a number are actually illiterate. Understandably they are in constant need of "advice" from Guadalajara.

In most Jaliscan communities "continuismo" is the rule rather than the exception; that is, the same group of persons actually controls the political life of the township on a continuing basis; in many instances, the same family. Fiefdoms, or cacicazgos as they are called in Mexico, are gradually dying out in Jalisco. However, this depends primarily on the size and stage of economic development of the community. For example, in the smaller of the three model towns, Jamay, the same family has actually occupied the presidency for sixteen of the last twenty-two years. Two brothers, an uncle, and two first cousins have rotated the presidency between them, taking full advantage of the constitutional leniency which permits non-consecutive election to most public offices. During this same period, the two brothers rotated the presidency of the local PRI organization, which in turn selected the two non-family presidentes. Such is life in the small agrarian community.

In larger municipios such as the other two of the model towns, the selection of the Presidente follows a more democratic pattern. In Ocotlan, for example, the last five presidentes have been unrelated consanguinely, though all have belonged to the public sector (sector popular) of the PRI. This is the normal pattern in a town in which the business and commercial interests are dominant. In La Barca, a mixed economy town in which the agricultural sector is strongest, the presidency is rotated between the agricultural and business sectors.

The term "agricultural sector" as used here does not mean the ejidatarios; rather, it refers to the large landowners who make their living from the



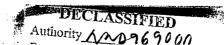
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land but through the labor of others. It includes, for example, extremely wealthy families such as the Covarrubias and the Zuno Hernandez of San Agustin, Municipality of Jamay, as well as others less well known. This "campesino" is in reality the modern Hacendado who politically belongs to the sector campesino of the PRI, associates himself publically with the aspirations of the great mass of farmers who earn their living from the soil, but whose family lives much as do the families of the wealthy business class. The Presidentes selected from the campesino sector are in politics primarily to see to it that the squatters (paracaidistas) make no attempts to dispossess them of their lands, or if they try, that the police power will be in friendly hands. In other words, the leaders of the campesino sector are normally wealthy farmers who have a vested interest in the political control of their communities.

The presidente municipal in the day-to-day execution of his functions acts very much like his U. S. counterpart. He appoints the chief of police and the city manager (secretario del ayuntamiento), the municipal treasurer, and other minor officials. The secretario acts in the absence of the presidente and functions much as the Secretario de Gobierno functions in the State Government. The secretario is usually a younger and more energetic person than the presidente and must be fairly intelligent as he has to answer all official correspondence and, in many cases, prepare legal documents. He is the Presidente's closest adviser and helper and usually is a personal friend.

Since most of the members of the local ayuntamientos receive salaries quite inadequate to their actual needs, most have other sources of income. Even the presidentes themselves devote at least as much time to their outside interests as they do to their official duties. The Presidentes of the three model towns mentioned at the outset of this report are all wealthy men in their own right. The Presidente of Ocotlan lives in Guadalajara and commutes daily to Ocotlan, a distance of fifty miles. Though he is a native of the Ocotlan area (actually he is from Jamay, some six miles from Ocotlan) he has variegated commercial interests in Guadalajara, to which he devotes at least half of his time. His weekends are all spent in Guadalajara. In his absence, as in the other towns, the secretario carries on his duties.

It should be pointed out at this point that the odium normally associated with the concept of "conflict of interest" as it is known in the United States is not to be heard of in Mexico, at least not at the municipal level. It would be unthinkable under present circumstances in Jalisco, for example, to attract competent people to political office if they had to divest themselves of their private holdings in order to hold public office. On the contrary, most of these politicos are attracted to their profession precisely because of the opportunities for personal enrichment that these posts represent. Suffice it to say that the salary which the office of Presidente Municipal proffers is of minimal importance to the



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person seeking the post.

The <u>Presidente</u> is assisted by a council of <u>regidores</u> (aldermen) who have responsibilities for essential public functions; i.e., schools, water, electricity, markets, labor relations, etc. Their numbers vary with the size of the municipality. In La Barca, for example, the largest of the model towns with a population of 43,000, there are 6 <u>regidores</u>, while in Jamay, the smallest of the model towns with twelve thousand inhabitants, there are five. By contrast, Guadalajara has ten.

The <u>regidores</u> usually represent the official sectors of the PRI as well as the more influential special interest groups; i.e., the farmers or <u>campesinos</u> are traditionally represented by the president of the Farmers League (Comunidad Agraria); the females by the president of the <u>sector femenil</u>; the organized industrial workers by the leader of the local sub-division of the CTM (Confederación de Trabajadores Mexicanos). Generally speaking, however, substantive decisions regarding the operation of the municipal government are made by the <u>presidente</u> in consultation with the head of the local unit of the PRI.

The <u>regidores</u> meet approximately twice monthly to approve decisions made in <u>Guadalajara</u> by the state administration or to submit proposals to the <u>Presidente</u> who decides whether or not they should be discussed with higher authority or can be acted upon locally. Nothing of substance is done locally without first checking with <u>Guadalajara</u>.

In the actual operation of the Jaliscan municipality the presidente municipal is the central figure. However, he consults constantly with the state and federal deputies for his electoral district on all matters which involve expenditures of state or federal funds, all disputes which might attract the attention of the press, all invasions of private lands, and all projects which might incur municipal indebtedness. There is no written requirement that the state and federal deputies be consulted in the above mentioned instances. Nevertheless, every presidente knows the rules of the political game as it is played in the state and if he wishes to have a successful administration he follows them unswervingly.

The <u>diputados</u>, as the state and federal representatives of the electoral districts are known, control the financial strings to the state and federal administrations. Practically all public works projects are tri-partite; i.e., the federal, state, and local governments all share in their costs. Consequently, a local administration is obligated to receive advance approval from the state and federal governments before it can initiate any public works project of consequence. In actual practice, the state government, through its State Planning Commission, carries out cost and feasibility studies of all proposed municipal public works projects. However, even this preliminary step must be ordered by the Governor on the recom-

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mendation of the state and local deputies for the municipality concerned. Obviously in such a highly centralized system, local independence is practically unknown.

CONCLUSION

From the brief facts set forth above it is possible to draw a number of salient conclusions regarding local government in Jalisco. First, it is patent that municipal government in a uniparty system is but an extension of the party apparatus itself. The entire <u>ayuntamiento</u> is comprised of party loyalists who know the system and accept its demands unequivocally. This assures fealty and conformity.

The second truth that can be extrapolated from this analysis is that the system is not only self-perpetuating but concomitantly militates against the emergence of political opposition at the grass roots level. For example, if by some chance a non-PRI administration comes to power in a Jaliscan municipality, such as recently happened in Teocaltiche, it immediately finds itself politically isolated and surrounded by enemies who can effectively cut it off from all state and federal assistance. A practical effect of this system is that a non-PRI municipal administration either functions in accord with the dictates of the PRI or with great difficulty, if not actual strife; i.e., Hermosillo, Merida.

Finally, it can reasonably be concluded that, for the immediate future, the system herein examined is unlikely to change dramatically. The reasons are manifold and ubiquitous; widespread ignorance and illiteracy, political apathy, lack of a tradition of resistance to authority, the realities of economic power available to the Caciques, and fear of the unknown. The PRI, by political sophistry in some instances and enlightened benevolence in others, manages to stay a few steps ahead of real difficulty. For the short term the populace is likely to remain basically quiescent and malleable. However, with the passage of time and an increase in political sophistication, which is the inevitable product of economic and educational progress, the demand for more representative democracy at the local level will likely increase, albeit slowly, until it is satisfied.

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FOR SECRETARY FROM AMBASSADOR

1. I HAVE MET WITH COUNTRY TEAM EXPANDED TO INCLUDE OTHER MEMBERS OF MY STAFF WHO MIGHT CONTRIBUTE TO A DISCUSSION OF THE EXTENT TO WHICH THERE MAY BE PRESENT IN MEXICO TENDENCIES SIMILAR TO THOSE WHICH PROVOKED THE PRESENT CRISIS IN FRANCE. OUR CONCLUSIONS FOLLOW.

2. IN OUR JUDGMENT

(A) THERE ARE NOT NOW PRESENT IN MEXICO CONDITIONS SUCH AS APPEAR TO HAVE CAUSED THE FRENCH CRISIS, AND IT IS MOST UNLIKELY THAT SUCH CONDITIONS WILL RAPIDLY DEVELOP HERE TO CRITICAL PRO-PORTIONS, AT LEAST UNTIL AFTER 1970 WHEN PRESIDENT DIAZ ORDAZ® TERM ENDS, AND

(B) MEXICO FACES IN THE LONGER TERM A NUMBER OF EXTREMELY SERIOUS AND DIFFICULT PROBLEMS WHICH IF UNRESOLVED WILL PROBABLY LEAD TO A CRITICAL SITUATION. IT IS NOT POSSIBLE NOW TO DETERMINE WHEN IN THE MEDIUM FUTURE SUCH SITUATION MIGHT COME TO A HEAD, BUT THE DEGREE OF EFFECTIVENESS OF THE NEXT AD-MINISTRATION IN ITS MEASURES TO COPE WITH THESE PROBLEMS WILL BE

A KEY FACTOR .

3. OUR CONCLUSION 2(A) ABOVE, RESTS ON THE FOLLOWING ANALYSIS: (A) THE GOVERNMENT AND THE OFFICIAL PARTY (PRI) MAINTAIN PER-SUASIVE CONTACT THROUGHOUT THE COUNTRY WITH THE PEOPLE WHICH

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SERVES NOT ONLY TO GIVE THE PARTY AND THE GOVERNMENT A CONTINUING ASSESSMENT OF POPULAR FEELING BUT ALSO TO "SELL" TO
THE PEOPLE GOVERNMENTAL DECISIONS AND POLICIES. THE GOVERNMENT
AND THE PARTY ARE REASONABLY SENSITIVE TO POPULAR DEMAND ON A
WIDESPREAD OR NATIONAL SCALE. IN CONTRAST, THE OPPOSITION.
PARTICULARLY THE OPPOSITION OF THE EXTREME LEFT. IS WEAK.
BADLY DIVIDED AND WITHOUT ANYTHING APPROACHING THE GOVERNMENT'S
RESOURCES FOR EITHER ASSESSING OR INFLUENCING POPULAR OPINION.
FINALLY, WHILE THERE IS A TRADITION OF VIOLENCE IN MEXICO THAT
MIGHT PERHAPS SOME DAY COME INTO PLAY ON A NATIONAL SCALE. THIS
HAS BEEN MORE THAN BALANCED IN RECENT DECADES BY MEMORIES OF THE
TERRIBLE COSTS OF THE EARLY REVOLUTIONARY PERIOD AND BY THE
VISIBLE BENEFITS OF RELATIVE SOCIAL PEACE.

(B) STUDENT UNREST IS ENDEMIC AND UNPREDICTABLE IN MEXICO: IT MAY BREAK OUT ON A LARGE SCALE AT ANY TIME AND FOR ANY REASON. HOWEVER, THE GOVERNMENT HAS DIVERSE MEANS OF GUAGING AND INFLUENCING STUDENT OPINION, AND IT HAS SHOWN ITSELF ABLE AND WILLING, WHEN UNREST EXCEEDS WHAT IT CONSIDERS ACCEPTABLE LIMITS, TO CRACK DOWN DECISIVELY, TO DATE WITH SALUTARY EFFECTS. FURTHERMORE, STUGENT DISORDERS, NOTWITHSTANDING THE WIDE PUBLICITY THEY RECEIVE, SIMPLY LACK THE MUSCLE TO CREATE A NATIONAL CRISIS UNLESS THE STUDENTS RECEIVE OVERWHELMING SUPPORT FROM ONE OR MORE OF THE MASS SECTORS, I.E., ORGANIZED LABORS THE URBAN POOR OR THE PEASANT SECTORS TO DATE THE URBAN POOR HAVE BEEN ENTIRELY APATHETIC TO STUDENT AGITATION WHILE URBAN LABOR AND THE PEASANT SECTORS, MUCH OF WHICH ARE ORGANIZED IN OVERWHELMING MAJORITY WITHIN THE PRI-GOVERNMEN-TAL STRUCTURE AND HENCE BELONG IN A SENSE TO THE ESTABLISH-MENTA HAVE LIKEWISE BEEN EITHER APATHETIC OR HOSTILE TO STUDENT DISORDERS. THUS TO TAKE A MOST RECENT CASE, STUDENT DISORDERS IN VILLAHERMOSA DIRECTED AGAINST THE GOVERNOR OF TABASCO FAILED IN LARGE MEASURE BECAUSE OF ACTIVE PEASANT SUPPORT FOR THE GOVERNOR.

IC! CONTROL OF THE MAJOR LABOR AND PEASANT ORGANIZATIONS AND, IN A LESS DISCIPLINED WAY, OF THE PROFESSIONAL - PUBLIC SERVANT - COMMERCIAL MIDDLE CLASS IS IN THE HANDS OF THE GOVERNMENT RATHER THAN ITS ENEMIES (AS WE JUDGE WAS THE CASE IN FRANCE), AND AT LEAST THE LEADERSHIP OF THESE ORGANIZATIONS CONSTITUTES PART OF THE ESTABLISHMENT. CONSEQUENTLY, THE MASS SECTORS WOULD BECOME A MAJOR THREAT TO THE GOVERNMENT AND THE INSTITUTIONS OF THE COUNTRY ONLY IF THERE WERE LARGE.





CONFIDENTIAL

PAGE Ø3 MEXICO Ø5481 150316Z

SCALE DEFECTION OF THE LEADERSHIP FROM THE ESTABLISHMENT OF WHICH IT FORMS A PART, OR WHOLESALE REVOLT OF THE RANK AND FILE AGAINST THE LEADERSHIP. OF THE FORMER, THERE IS PRESENTLY NO EVIDENCE: OF THE LATTER THERE APPEARS TO BE NOTHING MORE THAN A NORMAL AMOUNT OF GRUMBLING.

(D) THE OPPOSITION (PAN) PARTY HAS WON MUNICIPAL ELECTIONS IN TWO AND POSSIBLY THREE STATE CAPITALS DURING THE PAST YEAR, BUT THESE VICTORIES SEEM TO REFLECT LOCAL POCKETS OF DISCONTENT ON THE PERIPHERY OF MEXICO RATHER THAN BROAD DISCONTENT WITH THE GOVERNMENT ON A NATIONAL SCALE. NOTWITHSTANDING SOME GRUMBLING AND SOME UNEASINESS REGARDING MEXICO'S LONGER TERM PROBLEMS, THE GENERAL MOOD AT PRESENT IS MORE OF PRIDE IN ACCOMPLISHMENT AND CONFIDENCE THAN OF FRUSTRATION.

(E) ALL EVIDENCE POINTS TO THE COMPLETE LOYALTY TO THE GOVERNMENT

4. FOR THESE REASONS WE DO NOT BELIEVE THAT THE PRESENT SITUATION IN MEXICO IS EXPLOSIVE AND WE DO NOT EXPECT THAT AN EXPLOSIVE SITUATION WILL DEVELOP WITHIN THE NEXT TWO TO THREE YEAR TIME SPAN. HOWEVER, AS POINTED OUT IN 2(A) ABOVE, THERE ARE ALREADY VISIBLE SERIOUS PROBLEMS WHICH IS UNRESOLVED MIGHT WELL REACH CRITICAL PROPORTIONS WITHIN THE NOT TOO DISTANT FUTURE, AMONG THESE PROBLEMS, THREE ARE CLOSELY RELATED TO MEXICO'S RAPID POPULATION EXPANSION:

(A) INCREASING UNEMPLOYMENT.

(B) RAPIDLY EXPANDING URBAN POVERTY AREAS,

OF THE ARMED FORCES AND THE SECURITY AGENCIES.

THE LIMITS ON REASONABLY AVAILABLE, ARABLE LAND. OTHER PROBLEMS CAUSING THOUGHTFUL CONCERN RELATE TO THE IMPROVEMENT OF THE LOT OF THE LANDLESS PEASANT AND POOR EJIDO SECTORS. FREEMAN



TELEGRAM

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PAGE 01 MEXICO 05481 150255Z

19 ACTION GPM Ø4

INFO ARA 08, NSA 02, CU 04, E 15, SIL 01, LAB 06, CIAE 00, DODE 00, H 02,

INR 07.L 03.NSC 10.P 04.RSC 01.SP 02.SS 20.USIA 12.HEW 07.AID 28.
AGR 20.SAH 02.RSR 01./159 W

R 142309Z JUN 68 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 6687

CON FOID ENT I A LIMEXICO 5481 SECTION 2 OF 2:

REFR STATE 170648

FOR SECRETARY FROM AMBASSADOR

THE GRADUALLY WORSENING INCOME DISTRIBUTION AMONG THE VARIOUS SOCIAL STRATA, THE ADAPTABILITY OF THE PRI TO CHANGING POLITICAL REQUIREMENTS, ABILITY TO MAINTAIN THE PRESENT HIGH RATE OF INDUSTRIAL EXPANSION AND TO COPE WITH THE BALANCE OF PAYMENTS PROBLEMS, PARTICULARLY WITH REFERENCE TO SERVICING A RAPIBLY MOUNTING FOREIGN DEBT. FINALLY, THERS IS THE MUCH MORE INTANGIBLE PROBLEM WHICH EVEN THE MOST DEVELOPED SOCIETIES ARE STILL TRYING TO SOLVE, OF PROVIDING NEW MORAL AND SPIRITUAL VALUES TO REPLACE THE TRADITIONAL VALUES WHICH SEEM TO BECOME CASUALTIES OF THE DEVELOPMENT PROCESS ITSELF.

5. WHILE THE SHORT-TERM ASSESSMENT IS THUS OPTIMISTIC, THE EXISTENCE OF GATHERING CLOUDS IN THE DISTANCE ARGUES AGAINST COMPLACENCY. THE SITUATION MUST THUS BE KEPT UNDER CONTINUING STUDY AND ASSESSMENT. FREEMAN

(b)

MAY 24 1968

Mr. William E. Lang
Deputy Assistant Secretary for
International Security Affairs
Department of Defense

Dear Bill:

The Department of State has received an official request from the Mexican Embassy for assistance in obtaining expedited delivery of 100 AN/PRC-77 military radio sets, with batteries and spare parts, from the Radio Corporation of America. Details of this request and of the original contract between the Mexican Government and RCA are set forth in the enclosed translation of Mexican Embassy Note No. 2330 of May 14, 1968.

This written request has been supported by oral statements from Mexican Embassy officers on the urgency of the requirement and on the need to receive this equipment by August in order for it to be used during the period of the Olympic games in Mexico City.

An RCA official has stated that the factory cannot meet the Mexican request for early delivery unless shipments are made from current production earmarked for Department of Defense use. In view of the importance which the Mexican Government gives to the smooth functioning of the Olympic games, and our own Government's desire to see that this event be as successful as possible, I recommend prompt and favorable consideration of this request:

Sincerely yours,

Robert M. Sayre
Deputy Assistant Secretary
for Inter-American Affairs

Enclosure:

Note No. 2330 MM

ARA/MEX: RRueda: mrg: 5/23/68

Retyped in ARA/MEX:mrg 5/24/68

x-2814 RS #11514

Clearances:

ARA/MEX - Mr. Chaplin M/

ARA/RPP - Mr. Warner A

32 JUNENT OF STATES

POL 23-8 MEX R. POL 18 MEX Department of State TELEGRAM

CONFIDENTIAL 086

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12 ACTION ARA+20

INFO: OCT-01 CTAE-00 DODE-00 PM-05 H-02 INR-08 L-04 NSAE-02

NSC-10 P-03 RSC-01 PRS-01 SS-20 USIA-12 CU-05 NIC-01

ASR-01 /094 W

000680

R 170122Z JUN 71

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 7785

INFO AMCONSUL CIUDAD JUAREZ UNN

AMCONSUL GUADALAJARA UNN

AMCONSUL HERMOSILLO UNN

AMCONSUL MERIDA UNN

AMCONSUL MERIDA UNN

AMCONSUL MEXICALI UNN

AMCONSUL MONTERREY UNN

AMCONSUL NUEVO LAREDO UNN

AMCONSUL TIJUANA UNN

AMCONSUL VERACRUZ UNN

AMCONSUL SAN LUIS POTOSI UNN

AMCONSUL CHIHUAHUA UNN

AMCONSUL MATAMOROS UNN

C O NEF I D EEN T I A LESECTION I OF 3 MEXICO 3332

C O RIR E C T E'D C O P'Y (MRN 3332 VICE 3331)

SUBJ: JUNE 10 AND THE RESIGNATION OF MARTINEZ DOMINGUEZ

REF: A) MEXICO 3306 B) MEXICO: 3317

1. THE RESIGNATION OF FEDERALI DISTRICT REGENT ALFONSO MARTINEZ DOMINGUEZ, JUNE 15, CANCBEST BE VIEWED AS A MOVE ON THE PART OF PRES ECHEVERRIA TO ESTABLISH HIS UNDISPUTED POLITICAL LEADERSHIP, A DESIRE COMMON TO ALL MEXICAN PRESIDENTS. THAT THE RESIGNATION SATISFIES A PRESIDENTIAL NEED TO FIND A HIGH-LEVEL SCAPEGOAT FOR WHAT HAPPENED ON JUNE 10 IS PERHAPS A RELATED FACTOR BUT NOT IN ITSELF AN EXPLANATION.





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- 2. IT WAS GENERALLY UNDERSTOOD WHEN ECHEVERRIA ENTERED OFFICE THAT MARTINEZ DOMINGUEZ WAS! AN INDEPENDENT FORCE IN THE CABINET. TO SOME! DEGREE THE APPOINTMENT MAY BE ATTRIBUTED TO PRESSURE FROM OUTGOING PRES DIAZ ORDAZ. EVEN MORE IT CORRESPONDED! TO MARTINEZ DOMINGUEZ. OWN POLITICAL STRENGTH. THERE WAS: WIDE SPECULATION THAT ECHEVERRIA WOULD EVENTUALLY MOVE TO DIMINISH MARTINEZ DOMINGUEZ. INFLUENCE, IF ONLY TO ALLOW HIMSELF GREATER FLEXIBILITY AS THE TIME APPROACHED FOR CHOOSING A PRESIDENTIAL SUCCESSOR. FEW EXPECTED THE ACTION WOULD COME SO SOON, AND SOME THOUGHT MARTINEZ DOMINGUEZ HAD THE POLITICAL ABILITY (AS WELL AS POWER) TO PROTECT HIMSELF.
- 3. THE DEPARTURE OF MARTINEZ DOMINGUEZ GOES BEYOND
 THE DESIRE OF ECHEVERRIA TO HAVE A CABINET FULLY LOYAL
 TO HIM AND, WHAT IS MUCH THE SAME THING, ONE WITH NO
 OBVIOUS STRONGMAN. MARTINEZ DOMINGUEZ IS THE MEXICAN
 POLITICIAN PAR EXCELLENCE. A MASTER OF COMPROMISE,
 POLITICAL DEALS AND SUBTERFUGE. HELTS AT LEAST, AND
 PROBABLY MORE, CORRUPT THAN MOST. HE HAS THE
 REPUTATION OF A "DIRTY POLITICIAN," ONE WHO IS NOT
 ADVERSE TO USING FORCE WHEN THE NEEDS OF THE POLITICAL
 SYSTEM OR HIS OWN INTERESTS SO DICTATE. MOST OF THESE TRAITS ASC
 AT VARIANCE WITH THE LEADERSHIP IMAGE THAT ECHEVERRIA
 HAS WORKED HARD TO PROUECT DURING THE PAST SIX MONTHS.
 THERE IS INCREASING REASON TO THINK THAT THIS IS NOT
 PRETENSE ON ECHEVERRIA'S PART, THAT HE REALLY BELIEVES
 MEXICO CAN BE GOVERNED IN A MORE OPEN AND LIBERAL MANNER:
- 4. THERE IS IN THIS CONFLICT OF POLITICAL PHYLOSPHIES A BASIS FOR THE THEORY. BEING ADVANCED BY PERSONS CLOSE TO ECHEVERRIA, THAT THE JUNE 10 REPRESSION WAS A DELIBERATE ATTEMPT ON THE PART OF MARTINEZ DOMINGUEZ TO EMBARRASS AND, IN A SENSE. COMPROMISE ECHEVERRIA. HE MAY HAVE JUDGED THAT A NEW REPRESSIVE ACT SIMILAR TO TLATELOLCO WOULD HAVE PERMANENTLY ENDED ECHEVERRIA.S EFFORTS AT RAPPROACHMENT WITH STUDENTS, MODERATE LEFTISTS AND OTHER MIDDLE CLASS ELEMENTS DEMANDING A MORE OPEN AND HONEST POLITICAL SYSTEM. IT MAY HAVE APPEARED AS A GAMBLE IN WHICH THE PROBABLE LONG. TERM GAINS TO HIS OWN POLITICAL SECURITY AND AMBITIONS OUTWEIGHED POSSIBLE



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SHORT-TERM RISKS.

5. A VARIATION OF THIS THEORY (FOR WHICH THERE IS SOME CAS REPORTED SPECULATION) IS THAT THE MARTINEZ DOMINGUEZ INSPIRED REPRESSION OF JUNE 10 WAS DIRECTED PRIMARILY AGAINST INTERIOR SECRETARY MOYA PALENCIA, IN AN ATTEMPT BY IMPLICATION TO REDUCE HIS PRESIDENTIAL POSSIBILITIES. THE ANALOGY IS WITH 1968 WHEN THEN INTERIOR SECRETARY ECHEVERRIA WAS PARTIALLY BLAMED FOR TLATELOLCO. BUT, QUITE OBVIOUSLY, IT DID NOT PREVENT HIM FROM BECOMING PRESIDENT. AND, IN THIS PRESENT INSTANCE, IT IS: HARD TO SEE HOW MARTINEZ DOMINGUEZ COULD HAVE HOPED TO HIDE THE FEDERAL DISTRICT'S LARGE ROLE IN THE ORGANIZATION AND LEADERSHIP OF THE HALCONES. THE MISSTREATMENT OF NEWSMEN MAY HAVE BEEN AN ATTEMPT, BUT WAS CERTAINLY ILL-CONCEIVED.

6. WE CANNOT ENTIRELY DISMISS THESE THEORIES. BUT NEITHER ARE THEY FULLY CONVINCING. THE FIRST IS HARD TO RECONCILE WITH THE WIDELY CIRCULATING RUMORS OF A FEW WEEKS EARLIER THAT MARTINEZ DOMINGUEZ WAS ONE OF THOSE BACKING THE STUDENTS AT THE UNIVERSITY OF NUEVO LEON. IT IS DIFFICULT TO CREDIT THAT MARTINEZ DOMINGUEZ, WHO MUST HAVE BEEN AWARE OF HIS TENUOUS POSITION IN THE ECHEVERRIA CABINET AND WHO HAS HIMSELF BEEN AN INSTRUMENT IN THE DOWNFALL OF MANY POLITICIANS (AMONG THEM FEDERAL DISTRICT REGENT URUCHURTU IN 1966) WOULD CONSCIOUSLY FORMENT A CRISIS IN WHICH HE WAS HIMSELF IN SUCH AN OBVIOUSLY EXPOSED POSITION.



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R 170122 JUN 71 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 7786 INFO AMCONSUL CIUDAD JUAREZ UNN AMCONSUL GUADALAJARA UNN AMCONSUL HERMOSILLO UNN AMCONSUL MAZATLAN UNN AMCONSUL MERIDA UNN AMCONSUL MEXICALI UNN AMCONSUL MONTERREY UNN AMCONSUL NUEVO LAREDO UNN AMCONSUL TIJUANA UNN AMCONSUL VERACRUZ UNN AMCONSUL SAN LUIS POTOSI UNN AMCONSUL CHIHUAHUA UNN AMCONSUL MATAMOROS UNN

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C O R'R E C T E D C O P'Y (MRN ONLY 3332 VICE 3331)

7. WE BELIEVE THERE IS RATHER: MORE! REASON TO THINK THAT MARTINEZ DOMINGURZ WAS BITHER A VICTIM OF CIRCUMSTANCES OR, IN SOME SENSE, SET UP FOR HIS FALL. IT IS NOT NECESSARY TO ASSUME AN EXTREME CONSPIRATORIAL! THEORY (EXPLICIT INSTRUCTIONS TO MARTINEZ DOMINGUEZ OR OTHERS, TO CONDUCT THE JUNE 10 SUPPRESSION WITH GREAT SEVERITY, POSSIBLE OFFICIAL ENCOURAGEMENT OF THE DEMONSTRATION EVEN AFTER THE OSTENSIBLE ISSUE HAD EVAPORATED FOR THE LATTER TO BE THE CASE. GIVING A MAN ENOUGH ROPE TO HANG HIMSELF IS A TIME-TESTED MEXICAN POLITICAL TACTIC. IT IS WELL ESTABLISHED THAT THE HALCONES ARE AN OFFICIALLY FINANCED, ORGANIZED, TRAINED AND ARMED REPRESSIVE GROUP, THE MAIN PURPOSE OF WHICH



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SINCE ITS FOUNDING IN SEPTEMBER 1968 HAS BEEN THE CONTROL OF LEFTIST AND ANTI-GOVERNMENT STUDENTS. ITS EXISTANCE AND FUNCTION WERE WELL-KNOWN TO ALL: TOP GOM LAW-ENFORCEMENT AND POLITICAL OFFICIALS. ALTHOUGH WE CANNOT BE QUITE SO SURE OF THIS, IT APPEARS THAT MARTINEZ DOMINGUEZ WAS THE CABINET OFFICER: WITH MOST DIRECT CONTROL OVER THE HALCONES. IN THE TACIT MANNER OF MEXICAN POLITICS IT WAS HIS RE-SPONSIBILITY TO USE THEM IN THE MANNER THAT HE CONSIDERED MOST IN KEEPING WITH PRESIDENTIAL WISHES. THEY AND THE RELATED (IF NOT IDENTICAL) FRANCISCO VILLA GROUP HAD BEEN USED TO INTIMIDATE (AND SOMETIMES KILL) STUDENTS DURING THE PAST SIX MONTHS. THESE ACTIONS HAD BROUGHT NO OFFICIAL REPROOF AND WE HAVE SEEN NO OTHER INDICATIONS THAT ECHEVERRIA HAD WARNED MARTINEZ DOMINGUEZ OR OTHERS ABOUT THE POSSIBLE POLITICAL DANGERS OF A SEVERE CON-FRONTATION. IT STRETCHES THE IMAGINATION TO BELIEVE THAT ECHEVERRIA COULD NOT HAVE FORCED THE DISABANDMENT OF THE HALCONES HAD HE SO DESTRED. OR THAT HE WAS NOT AWARE OF PLANS TO SEVERELY REPRESS THE JUNE 10 DEMON-STRATION, WITH CONSEQUENT DAMAGE TO MANY OF HIS POLICIES SINCE TAKING OFFICE. EVEN IF WE MAKE THE EXTREME ASSUMPTION THAT THE HALCONES WERE TIGHTLY CONTROLLED BY MARTINEZ DOMINGUEZ AND THAT THEY WERE IN SOME SENSE A SOURCE OF HIS OWN POWER (AND, HENCE, THAT ECHEVERRIA COULD NOT SIMPLY ORDER THEIR DISBANDMENT! IT IS BEYOND CREDULITY THAT ECHEVERRIA, THROUGH INTERIOR SECRETARY MOYA PALENCIA, DID NOT HAV HIS OWN SOURCES OF INFORMATION WITHIN THE RANKS OF THE HALCONES.

8. ON HIS OWN INITIATIVE, BUT PERHAPS ALSO WITH ENCOURAGMENT, MARTINEZ DOMINGUEZ MAY HAVE COME TO THE CONCLUSION THAT STRONG REPRESSION WAS CALLED FOR IN HANDLING THE JUNE 10 DEMONSTRATION. EARLIER SCATTERED DEATHS INFLICTED BY THE HALCONES OR THE FRANCISCO VILLAGROUP: HAD CLEARLY NOT HALTED STUDENT AGITATION. STUDENT LEADERS FROM THE 1968 MOVEMENT, RECENTLY RETURNED FROM CHILE, HAD ANNOUNCED THEIR INTENTION TO CONTINUE THE STRUGGLE. WE DO NOT BELIEVE THAT MARTINEZ DOMINGUEZ ORDERED OR INTENDED THE NUMBER OF DEATHS THAT OCCURRED (IN A SENSE THE HALCONES PROBABLY RAN AMUCK) BUT IT IS HARD TO ESCAPE THE CONCLUSION THAT SOME DEATHS COULD HAVE BEEN EXPECTED, AND THERE MAY HAVE BEEN A CONSCIOUS DECI-



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SION THAT THIS WAS THE BEST WAY TO PREVENT A REPEAT OF THE TEN WEEK LONG DEMONSTRATIONS THAT OCCURRED IN 1968 AND ENDED IN THE EVEN BLOODIER REPRESSIVE ACTION AT TLATELOLCO ON OCT 2 OF THAT YEAR. HE MAY HAVE THOUGHT HE HAD ECHEVERRIA'S BACKING. AT A MINIMUM, HE MAY HAVE REASONED THAT ECHEVERRIA WOULLD BE ABLE TO DISASSOCIATE HIMSELF FROM THE ACTION. ONLY AT GREAT COST TO HIS CREDIBILITY. IF SO, IN RETROSPECT, IT WAS A GRAVE MISCALCULATION.

8. WHILE THE IMMEDIATE DAMAGE TO ECHEVERRIA'S IMAGE AND POLICIES CAUSED BY WHAT HAPPENED JUNE 10 WAS GREAT (AND THEREFORE PROVIDES GROUNDS FOR THINKING THAT HE DID NOT ANTICIPATE THE NUMBER OF DEATHS THAT OCCURRED). HE MAY POSSIBLY NOW VIEW THE LONGER-TERM PROSPECT WITH SOME SATISFACTION . WHETHER BY DESIGN OR ACCIDENT HE HAS ALREADY SUCCEEDED IN REMOVING MARTINEZ DOMINGUEZ, THUS STRENGTHENING HIS OWN LEADERSHIP POSITION. MANY STUDENTS AND LEFTISTS WILL, INDEED, VIEW MARTINEZ DOMINGUEZ AS NO MORE THAN A SCAPEGOAT, AND REFUSE TO BELIEVE THAT ECHEVERRIA WAS NOT HIMSELF A PARTY TO WHAT HAPPENED ON JUNE 10. BUT MORE MODERATE OPENION MAY BE IMPRESSED BY THE CONTRAST BETWEEN THE HANDLING OF THIS EVENT AND ITS EARLIER PARALLEL ON OCT 2, 1968. THIS TIME THER HAS BEEN ACKNOWLEDGEMENT OF OFFICIAL RESPONSIBILITY: THERE HAVE BEEN RESIGNATIONS. ECHEVERRIA, WHO IS STILL HELD PARTIALLY RESPONSIBLE FOR TLATELOLCO, HAS AN OPPORTUNITY TO CONVINCE MANY THAT IF HE HAD BEEN PRESIDENT AT THE TIME : A! THERE MIGHT NOT HAVE BEEN A TLATELOLCO# AND B) AT A MINIMUM. IT WOULD HAVE BEEN INVESTIGATED AND GUILT ASSIGNED. KUBISCH



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PAGE 01 MEXICO: 03332 03 0F 03 170424Z

19 ACTION ARA-20

INFO OCT-01 CIAE-00 DODE-00 PM-05 H-02 INR-08 L-04 NSAE-00

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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 7787
INFO: AMCONSUL CIUDAD JUAREZ UNN
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AMCONSUL HERMOSILLO UNN
AMCONSUL MAZATLAN UNN
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CORRECTED COPY (MRN 3332 VICE 3331)

P. BUT THE RESIGNATION OF MARTINEZ DOMINGUEZ ALSO
RAISES SOME LONGER-TERM DANGERS. IF MODERATE STUDENTS
ARE IMPRESSED BY THE APPARENT FRANKNESS AND DESPATCH
WITH WHICH ECHEVERRIA HAS ACTED. THE RADICALS ARE
JUST AS LIKELY TO SEE IT AS A SIGN OF WEAKNESS AND
AN INVITATION TO RENEWED AGITATION AGAINST THE
ECONOMIC AND POLITICAL SYSTEM. IF. AS NOW SEEMS
INEVITABLE, THE HALCONES ARE DISBANCED, WE MAY
WONDER HOW THE GOVERNMENT INTENDS TO CONTROL SUBVERSIVE STUDENT GROUPS. IT IS MORTH HECALLING IN THIS PETAL
THAT THE MALCONES WERE FORMED AT LEAST IN PART RECAUSE
OF THE 1968 STUDENT DEMAND THAT THE UNIFORMED RIDT



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POLICE BE DISBANDED. MANY RESPONSIBLE MEXICANS
DOUBT THAT ECHEVERRIA?S CALL TO NATIONAL UNITY WILL
SWAY THE MORE POLITICIZED STUDENTS - UNLESS ACCOMPANIED
BY MUCH MORE SIGNIFICANT ECONOMIC AND SOCIAL CHANGES
THAN HAVE CHARACTERIZED THE ADMINISTRATION TO DATE AND BELIEVE THAT REPRESSIVE FORCE WILL BE AN INEVITABLE
FEATURE OF THE MEXICAN POLITICAL SYSTEM FOR SOME TIME
TO COME.

10. SECOND, THE DEPARTURE OF MARTINEZ DOMINGUEZ, WILL STRAIN ECHEVERRIA'S RELATIONS WITH PROFESSIONAL POLITICANS IN GENERAL, NOT JUSY THOSE AROUND MARTINEZ DOMINGUEZ. AN EVENTUAL! MOVE AGAINST MARTINEZ DOMINGUEZ WAS EXPECTED, BUT MANY POLITICIANS WILL VIEW THE PRESENT ACTION AS PRECIPITOUS, AS IN SOME SENSE A MOVE BY THE TECHNOCRATS AGAINST THEM, AND, AT THE EXTREME, A DANGEROUS EAGERNESS ON THE PART OF ECHEVERRIA TO CENTRALIZE ALL POWER IN HIS OWN HANDS. THE MEXICAN POLITICAL SYSTEM IS NOT VERY OPEN; BUT IT HAS HISTORICALLY INCLUDED SUBSTANTIAL GIVE AND TAKE AMONG THOSE WITHIN THE POLITICAL CASTE. ECHEVERRIA'S MORALISM AND HIGH-MINDED RHETORIC ABOUT POLITICS AS A PUBLIC TRUST MAY WELL APPEAR THREATENING.

11. FINALLY THERE IS AT LEAST SOME! DOUBT ABOUT THE BUSINESS COMMUNITY!S REACTION TO RECENT EVENTS, REGARD-LESS OF WHICH INTERPRETATION IS CHOSES. THERE IS NO EVIDENCE AS YET THAT BUSINESS FOR RIGHT WING; GROUPS ENCOURAGED MARTINEZ DOMINGUEZ IN THE ACTION OF JUNE 10, BUT WE MAY SUPPOSE MANY SHARE HIS HAROLINE VIEWS ON THE NEED FOR FORCE IN THE POLITICAL SYSTEM. THEY MAY FEAR THAT ECHEVERRIA'S APPARENT DECISION TO DISPENSE WITH SUCH FORCE, AT LEAST IN THE CONTROL OF STUDENTS. DOES INDEED PRESAGE MORE RADICAL ECONOMIC AND SOCIAL POLICIES. ALSO, BUSINESSMEN, BECAUSE THEY ARE NOT PART OF THE OFFICIAL PARTY, HAVE A BARGAINING INTEREST IN THE MAINTENANCE OF COMPETING FACTIONS AT THE UPPER ECHELONS OF GOVERNMENT. GP-3

COLLECT CHARGE TO

ACTION:

Amembassy MEXICO

IMMEDIATE

STATE

ENDIS

A-Mexico 3330 -- B-Mexico 3331

Confirming Petrow/Kubisch telcon, we share your concern over possibility USG may be linked to June 10 riots through our police training program and believe would be obtained should no press our principal objective / showke xbeex xpreexecute xanxy xpreexes comment appear.

should refrain from issuing

we believe Embassy/press statement/showkdxhoxkssowedxxkf unless articles to serious de

akxakkxxxxkxxakkakxakkxxkxxx/alleging linkage have

appeared in the press. Moreover, since even most careis likely to fully drafted press statement/with sound defensive, we believe burden of response to press allegations should be on GOM and that Embassy should issue statement only if it is apparent silence would be even more damaging.

2. Consequently, we should like Embassy to adopt

DRAFTED BY: ARA/MEX:CGP CLEARANCES:

DRAFTING DATE 6/17/71

TEL. EXT. 22415

APPROVED BY:

ARA - Mr. Hui

S/S-0: Mr.

ARA/PAF - Mr. Proper (sub)

SECRET-EXDIS

FORM DS-322 4 - 68

Classification



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Department of State

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Amembassy MEXICO

IMMEDIATE

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following course:

- A. At meeting with Gallastegui, Chargé, after expressing concern about possible press linkage of our police training to Halcones, should state we queties.

 Intend to reply to any press/imprinted with oral statement of facts along lines press statement transmitted ref B, as amended, (see below). Then recalling high-level of GOM request for police training program, he should inquire how GOM proposes to deal with press queries should they materialize.
- B. If Embassy receives press queries, it should answer them orally in factual, low key manner along lines of proposed press statement with following additions:
 - 1. Stress fact that training facilities were

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Department of State

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Amembassy MEXICO IMMEDIATE

PEGE 3

- offered under program 16 years old in which 65 nountries have participated.
- 2. Allocosts of training are being borne
 by GOM.
- 3. First group is not scheduled to return to Mexico until July 9.
- 4. Mexican police officials are being trained in other countries as well (this statement should be made with as much precision and assurance as possible -- perhaps Gallastegui can confirm Embassy's information that Mexican police officials are being trained in Japan and UK).
- 5. If, in spite of our and GOM's efforts,

 against us expect to

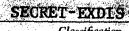
 press campaign/begins, we would the GOM wanted

 issue public statement setting forth the facts. If

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CLEARANCES:

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Action: Amembassy MEXICO

IMMEDIATE

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Embassy judges silence more damaging than a public statement, it should report the relevant facts and its recommendations urgently to the Department and Department will make immediate decision on issuance of press statement. If decision is to issue, statement transmitted ref B subject to additions mentioned paragraph 2B above is suitable.

- 3. We have no objection to Embassy making oral statements in paragraphs 2 and 3 of ref B if pressed.
- 4. Department will do everything possible to prevent leaks or public release on police training program. We anticipate no need for issuing press statement here. We plan to reply orally to press queries along lines paragraph 2B above.

DRAFTED BY:	DRAFTING DATE	TEL. EXT.	APPROVED BY:
CLEARANCES:			

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FORM DS-322

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Department of State

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_] COLLECT	Marine State Control
CHARGE TO	

Amembassy MEXICO IMMEDIATE

We note that final group of trainees scheduled to depart for US August 9. We would like your recommendations as to whether we should try to dissuade GOM from sending this group.

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EXD IS

REF: CARACAS 6835

REF PARA I LAST SENTENCE REFTEL: I HAVE BEEN INFORMED SINCE RECENT ARRIVAL THIS POST THAT GOM HAS INFORMAL UNDERSTANDING WITH US AT HIGHEST LEVELS TO MAINTAIN RELATIONS WITH CUBA SO ONE OAS COUNTRY CAN HAVE FOOT IN DOOR WHICH MIGHT SOMETIME BE HELPFUL. WE HAVE NO DOCUMENTATION ON THIS HERE BUT IF TRUE WE MIGHT NOT WISH LEAVE IMPRESSION WITH GOV WE ARE WILLING DEARBORN BET

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TEEGRAM

CONFIDENTIAL 907

PAGE 01 MEXICO 05840 01 0F 02 0610472.

22 ACTION SAL ØJ

INFO ARA 08. CU 04. IO: 13. HEW 07. ALD: 28. UGR 03. NIC 01. NSA 02. CIAE 00.00

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R 060024Z JUL 68 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 6894

REF STATE 186094 () 13-2

I. BROAD DISCUSSIONSWITHIN EMBASSY SUPPLEMENTING ONE I HELD IN REPLYING TO STATE 170648 LED TO FOLLOWING GENERAL CONCLUSIONS RESERVED SITUATION OF YOUTH IN MEXICO.

Participation point is that vast majority mexican population can be classified as youth, since 71.7 percent, according to arest estimates, are under 35, and about half of this number are under 15. however only small minority is politically active. Agrarian youth is largely inert despite participation in occastional rural incidents, though influx into cities may represent implied comment on their lot. Poor urban youth is unorganized and preoccupied with daily vicissitudes though rapidity of urban growth may outstrip ability of government to supply Jobs and services and thereby generate active unrest. Noteworthy aspect of these groups is early age at which families formed which generally turns young men's fancies to thoughts other than politics.

3. MAJOR ELEMENT OF POLITICALLY ACTIVE YOUTH IS ACTUALLY AND POTENTIALLY LOCATED WITHIN STUDENT POPULATION. EVEN WITHIN THIS POPULATION, MAJORITY PRINCIPALLY JOB-ORIENTED RATHER THAN INTERESTED IN POLITICAL ACTIVITY, ALTHOUGH ACTIVIST MINORITY CAN BE VERY VOCAL.

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PAGE 02 MEXICO 05840 01 OF 02 061047Z

4. ETHOS OF MEXICAN REVOLUTION REMAINS PRINCIPAL IDEOLOGICAL GUIDE FOR MAJORITY OF MEXICAN YOUTH. AT SAME TIME, VAGUE KIND OF MARXISM, STRONG SENSE OF NATIONALISM, BOTH INVOLVING GENERALIZED OPPOSITION TO "IMPERIALISM", ARE PERHAPS MAJOR INTELLECTUAL AND IDEOLOGICAL CHARACTERISTICS OF MORE POLITICALLY ORIENTED YOUTH. ALL THESE TEND TO GENERATE ANTI-US ORIENTATION AMONG THESE GROUND ALTHOUGH NOTEWORTHY HOW LITTLE, ACTIVE SUPPORT CAN BE MOBILIZED N ISSUES SUCH AS VIETNAM OR DOMINICAN REPUBLIC.

5. KEY PEAR ABOUT ORGANIZATION OF YOUTH IN MEXICO IS: THAT MAJORITY DESTRUSE WHO ARE ORGANIZED TAKE PART WITHIN PARAMETERS OF SYSTEM: IN GOVERNMENT-SPONSORED INAM (ABOUT 120,000) AND "YOUTH SECTIONS OF RULING PRI AND ITS CONSTITUENT SECTOR. THESE SUBJECT TO IDEOLOGICAL LEANINGS DISCUSSED PREVIOUS PARAGRAPH. PARTIES (PAN, PPS, PCM) ALSO HAVE YOUTH ORGAN-IZATIONS OF INTED STRENGTH. IN UNIVERSITIES STUDENT ORGANIZA-TIONS ABOUND FROM SEVERAL VARIETIES OF EXTREME LEFT TO FEW SMALLER RIGHTIST ORGANIZATIONS. MOST IMPORTANT OF THESE ORGAN-IZATINS ARE NATIONAL FEDERATION OF TECHNICAL STUDENTS (FNET), WHICH MAY COMESE 80,000 STUDENTS, BUT IS AT LEAST AT PRESENT ALMOST A GOVERNMENT ORGAN: COMMUNIST-SPONSORED NATIONAL CON-FEDERATION OF DEMOCRATIC STUDENTS (CNED) AND A COMMUNIST-FRONT FEDERATION (FEX) WHICH ENCOMPASSES ALMOST ALL RURAL NORMAL SCHOOLS. ALSO WORTHY OF NOTE ARE STRONGLY RIGHTIST MURO, AND DITHER LESS MILITANT CATHOLIC YOUTH GROUPS. LEFTIST PREDOMINATE AMONG STUDENT GROUPS BUT GENERALLY FAIL TO GET MASS SUPPORT AND ARE SPLAGUED BY WEAKNESS AND GENERAL FRAGMENTATION OF MEXICAN LEFT, YOUNG AND OLD. FACTIONALISM HAS CONSISTENTLY THWARTED PERIODIC ATTEMPTS, USUALLY FROM LEFT BUT OCCASIONALLY FROM GOVERNMENT, TO ORGANIZE UNAM SYSTEM.

6. STUDENT UNREST, WHICH AS NUTED MEXICO 5481 IS ENDEMIC IN MEXICU, HAS ALMOST ALWAYS FUCUSED ON LOCAL ISSUES! BAD CONDITIONS IN GIVEN UNIVERSITY, ANGER AT STATE GOVERNOR, UNPOPULARITY OF SPECIFIC TEACHERS OR RECTORS. SUCCESS IN SECURING OUSTER OF ONE GOVERNOR ÎN 1966 (DURANGO) HAS BEEN BALANCED BY FAILURE: IN MORE RECENT EFFORT (TABASCO IN 1968) AND BY GOVERNMENT FIRMNESS WHICH HAS EXTENDED TO POINT OF SENDING TROOPS ONTO CAMPUSES IN MORELIA AND HERMOSILLU IN 1966 AND 1967. EXTREME LEFTISTS SOMETIMES INVOLVED AND OFTEN SEEK TO EXPLOIT INCIDENTS OF UNREST BUT MORE OFTEN THAN NOT ARE NOT INITIALLY RESPONSIBLE FOR THEM. HOWEVER, WHILE THE LEFT CONSTANTLY SEEKS TO LINK STUDENTS WITH

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PAGE 03 MEXICO 05840 01 OF 02 061047Z.

LABOR AND/OR AGRARIAN AGITATION. THERE HAS BEEN NO SUCH LINKAGE OF ANY SIGNIFICANCE.

7. KEY STABILIZING ELEMENT HERE IS THAT AMBITIOUS AND PRACTICAL IDEALISTS AMONG YOUTH STILL SEE OUTLET WITHIN THE SYSTEM ...
THROUGH PRI GOVERNMENT SERVICE, PROFESSIONS (USUALLY ALLIED TO GOVERNMENT) AND TO LESSER DEGREE IN PRIVATE SECTOR. COMMON LIFE CYCLE IS FOR YOUNG MAN TO GO THROUGH MARXIST PHASE (OFTEN: EXTREME) IN UNIVERSITY AND TO BE ABSORBED BY ESTABLISHMENT SHORTLY THEREAFTER. SOME ARE SIMPLY CAREERISTS WHO REALIZE THERE IS NO OTHER CHOICE, BUT SUBSTANTIAL NUMBER ALSO BELIEVE THAT REVOLUTIONARY ETHOS GUIDING RULERS RETAINS VALIDITY AND VITALITY. OPPORTUNITIES EXIST NOT ONLY FOR PERSONAL BETTERMENT BUT FOR: POLITICAL PARTICIPATION AND FOR SOCIAL SERVICE. 1964 USIS: STUDY OF UNIVERSITY STUDENT ATTITUDES -- WHICH IS STILL ESSENTIALLY VALID -- SHOWED THAT 90 PERCENT FELT MEXICO HAS BEEN PROGRESSING FAIRLY WELL OR BETTER.

BO THE ESTABLISHMENT IN TURN SEEKS ASSIDUOUSLY TO KEEP IN TUNE WITH VIEWS AND DEMANDS OF YOUTH. THUS ACTIVIZING IMPACT OF YOUTHFUL OUTBURSTS IN OTHER PARTS OF WORLD ON MEXICAN YOUTH IS USUALLY BALANCED BY INCREASED SELF-EXAMINATION BY GOVERNMENT. AT PRESENT, FOR EXAMPLE, IT IS KNOWN THAT GOM HAS IN FACT SET IN MOTION STUDIES ALONG LINES OF REFTEL ON SITUATION OF YOUTH IN MEXICU.

JO AT SAME TIME, AS NOTED MEXICO 5481, THERE ARE NUMBER OF LONG-RANGE FACTORS WHICH COULD CHANGE SITUATION IN MEXICO, ALL OF WHICH WOULD VITALLY AFFECT YOUTH: GROWING UNEMPLOYMENT, EXPANDING URBAN POVERTY, LIMITS ON ARABLE LAND, SEDWING RATES OF INDUSTRIAL EXPANSION.

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PAGE 01 MEXICO 05840 02 OF 02 060417Z

22 ACTION SAL ØĪ

INFO ARA 08,10 13,CU 04,HEW 07,NIC 01,NSA 02,CIAE 00,DODE 00,GPM 04,

H Ø2, INR Ø7, L Ø3, NSC 10, P. Ø4, RSC Ø1, SP Ø2, SS 20, USIA 12, RSR Ø1,

AID 28, JGP Ø3, /133 W

R Ø6ØØ24Z JUL 68 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 6895

CONFIDENTIAL SECTION 2 OF 2 MEXICO 5840

REF STATE 186094

10. FAILURE OF EDUCATION TO KEEP PACE WITH DEMANDS IS ALSO CONTINUOUS PROBLEM.ACCORDINGTO RECENT STUDY. ONLY ONE PERCENT OF STUDENTS WHO ENTER PRIMARY SCHOOL WILL REACH UNIVERSITY LEVEL AND INORDINATE NUMBER WHO REACH THIS LEVEL DROP OUT FOR BOTH SCHOLASTIC AND ECONOMIC REASONS. RURAL EDUCATION IS WOEFULLY INADEQUATE. TEACHERS' SALERIES ARE GREAT PROBLEM. TECHNICAL EDUCATION IS INSUFFICIENT IN SCOPE AND IN RELEVANCE TO LATER UTILIZATION. HIGHER EDUCATION SUFFERS FROM DEFICIENCIES OF QUALITY, EXCESSIVE CONCENTRATION IN MEXICO CITY. THERE IS DEARTH OF POST GRADUATE FACILITIES, CAUSING MANY TO GO TO US OR EUROPEAN UNIVERSITIES FOR WHICH MEXICAN STUDENTS ARE OFTEN INSUFFICIENTLY PREPARED. NEVERTHELESS MEXICAN REVOLUTION HAS ALWAYS BEEN EDUCATION-CONSCIOUS, 25 PERCENT OF GOVERNMENT BUDGET GOING TO THAT PURPOSE, AND ACTIVE EFFORTS ARE CURRENTLY UNDERWAY TO SEEK EVEN MORE FUNDS.

11. OUR CONCLUSIONS REMAIN AS STATED IN MEXICO 5481 THAT SITUATION WITH RESPECT TO YOUTH IN MEXICO IS UNLIKELY TO REACH CRITICAL PROPORTIONS AT LEAST IN NEMGT FEW YEARS ALTHOUGH EXTREMELY SERIOUS AND DIFFICULT LONG-TERN PROBLEMS CAUTION AGAINST ANY COMPLACENCY. FREEMAN

CONFIDENTIAL

Case No. Mexico 189

July 1% 1968

MEMORANDUM FOR:

Deputy Assistant Secretary

International Security Affairs (ILN)

Department of Defense

SUBJECT:

Out-of-Channels Request from Mexico

Enclosed is a copy of an out-of-channels request, dated April 24, 1968, from the Embassy of Mexico, for the purchase of ammunition components. OASD/ISA/ILN requested Department of State approval of this purchase on May 20, 1968 (I-6372/68).

Assuming that it is not feasible or practical for these items to be supplied from commercial sources, the Department of State approves from an economic, legal and political viewpoint, the meeting of this request as a cash sale under the legislative authority of Section 522 of the Foreign Assistance Act of 1961, as amended. This approval is subject to any patent or proprietary rights and security considerations that apply to this material as may be subsequently determined by the Department of Defense.

Lewis D. Junior G/PM - Military Assistance and Sales Policy

Enclosures: A/S

Concurrence:

ARA/MEX - Mr. Boles

ARA/RPP - Mr. Warner COL CYR WC

G/PM-MC - Mr. Bowie

PPC/MAD - Mr. Backlund (3)

L/E - Mr. Malmborg KM

G/PM:DFAughavin/mj/7/1/68

DEF 12-5 MEX



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE WASHINGTON, D. C. 20301

INTERNATIONAL SECURITY AFFAIRS

In reply refer to: I-6372/68 20 May 1968

MEMORANDUM FOR MILITARY ASSISTANCE & SALES POLICY (G/PM)
DEPARTMENT OF STATE

SUBJECT: Out-of-Channels Request from Mexico

Attached is out-of-channels request from Mexico. State approval and the assignment of a case number is requested.

JOHN DOLD

Assistant

Near East, Africa, and Latin America Negotiations International Logistics Negotiations

Attachment Note fr Embassy No. 465 dtd 24 Apr 1968





24 April 1968.

Commanding General
U.S. Army Materiel Command
ATTN: AMCIL-M
Washington. D.C. 20315.

Gentlemen:

This is to inform you that the Secretariat of National Defense of Mexico, has ordered to this Office to obtain a quotation for the following Items necessaries for Military-Industry of Mexico.

- 1.- 25,000 Sets (6 pieces per set) Increment Charge for 81 mm. Trench Mortar. PXS-633.
- 2.- 265 Pounds 1375-NO6-8168 Propellant, Powder Double Base M9 for 60 mm. Mortar (for "0" Charges).
- 3.- 10,000 1315-NOO-0046-5080Cartridge M6 ignition (for 81mm. Mortar).
- 4.- 2,203 NSN-Tetryl Powdered Grade I.
- 5.- 1,763 MIL-P-387A Pentaerythrite Tetranitrate (PETN) Class 3 same Class C.
- 6.- 3,000 1315-NOO-0050-3080 Charge Propelling Dual Gran for Ctg. 105 mm. Ml (7 increasers each Charge).
- 7.- 6.125 Propellent Powder without smoke for Ctg. Cal. 30" for carabine Ml or M2.

Thank you very much for the attention you can grant -- to this request, I remain.

Sincerely.

ROBERTÓ SALIDO BELTRAN.
Maj. Gen. Mexican Air Force.
Military and Air Attaché.

(6372/63

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Pol 23-8 mex Department of State TELEGRAM

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PAGE Ø1 MEXICO Ø62Ø6 27184ØZ

52 ACTION ARA 16

INFO SSO ØØ,NSCE ØØ,USIE ØØ,CIAE ØØ,NSAE ØØ,DODE ØØ,GPM Ø4,NSC 10

SP 02,SS 20,RSC 01,L: 03,H 02,SA 01,P 04,INR 07,NIC 01,AID 28, SCA 02,SCS 04,0 02,SY 03,PER 02,FB0 01,0FR 02,0C 06,RSR 01,

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O 271817Z JUL 68 Em amembassy mexico To secstate washoc immediate 7087

LIMITED OFFICIAL USE MEXICO 6206

PASS WHITE HOUSE

SUBJECT: RIOT IN CENTRAL MEXICO CITY

I. LEFTIST AGITATORS NIGHT OF JULY 26 TURNED PEACEFUL STUDENT DEMONSTRATION INTO VIOLENT OUTBREAK INVOLVING STREET BATTLE WITH POLICE, NUMEROUS INJURIES, SEVERAL ATTACKS ON STORES AND OTHER BUILDINGS. SITUATION WAS CONTROLLED BY MIDNIGHT AND NO VIOLENCE SINCE.

2. NATIONAL FEDERATION OF TECHNICAL STUDENTS HAD OBTAINED PERMIT HOLD PEACEFUL DEMONSTRATION IN PROTEST AGAINST POLICE INTERVENTION SEVERAL DAYS AGO IN STUDENT PROBLEM AT A PRE-PARATORY SCHOOL AND A PRE-PVOCATIONAL SCHOOL ATE AFTERNOON DEMONSTRATION THIS GROUP AMOUNTED TO PERHAPS FOUR TO FIVE THOUSAND AT REVOLUTION MONUMENT. SIMULTANEOUSLY ABOUT 200 JCM (MEXICAN COMMUNIST YOUTH) AND ASSOCIATES WERE MEETING IN CONNECTION WITH JULY 26 PRO-CASTRO DEMONSTRATION. THESE 200 JOINED THE NFTS GROUP AND AGITATED FOR MARCH TO ZOCALO (THE CENTRAL SQUARE WHERE PRESIDENTIAL PALACE IS LOCATED). LESS THAN HALF NFTS JOINED IN MARCH. POLICE STOPPED THEM AND THEY NEVER REACHED ZOCALO BUT RESULT WAS FIGHTING, INJURIES AND DAMAGE.







Department of State TELEGRAM

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3. POLICE ARRESTED SEVERALI INCLUDING PROMINENT COMMUNISTS.

ALSO BROKE INTO HEADQUARTERS: OF COMMUNIST PARTY AND LA VOZ DE MEXICO AND TOOK FILES:

4. THERE WAS NO DIRECT ATTACK ON AMERICANS OR AMERICAN PROPERTY. US ONLY INDIRECTLY AFFECTED BY PRO-CASTRO NATURE OF JCM DEMONSTRATION.

5. EMBASSY WILL TRANSMIT FULLER REPORT AS FACTS ARE NAILED DOWN BY POLICE AND OTHER CONTACTS. FREEMAN

34



Pol 23-8 mep. XR Pol 13-2 mep. Department of State TELEGRAM

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PAGE Ø1 MEXICO Ø62Ø8 281741Z

45 ACTION ARA 16

INFO CU 04, CIAE 00, DODE 00, GPM 04, H 02, INR 07, L 03, NSAE 00, NSC 10,

P 04, RSC 01, SP 02, SS 20, USIA 12, AID 28, NIC 01, 10 13, RSR 01,

OPR 02./130 W

P 281708Z JUL 68
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC PRIORITY 7089

LIMITED OFFICIAL USE MEXICO 6208

PASS WHITE HOUSE

SUBJECT: STUDENT DISTURBANCES - MEXICO

REF: MEXICO 6206 AND 6207

- I. FOLLOWING RIOTS JULY 26 IN CENTER MEXICO CITY REPORTED REFTELS, THERE WERE RELATIVELY MILD ACTIVITIES ON PART CERTAIN STUDENT AND NON-STUDENT AGITATORS JULY 27. THERE WERE STUDENT MEETINGS, FUND RAISING CAMPAIGNS, AND FUTURE PLANNING. SEVERAL BUSSES AND TRUCKS WERE CAPTURED BY STUDENT ELEMENTS BUT MOST WERE RELEASED BY AFTERNOON. PRACTICALLY NO VIOLENCE.
- 2. NUMBER OF AGITATORS ARRESTED VARIES BUT BELIEVED BETWEEN 62 AND 78. AMONG THEM ARE GERARDO UNZUETA LORENZANA, FIRST SECRETARY OF MEXICAN COMMUNIST PARTY (PCM); ARTURO ORTIZ MARBAN, PRESIDENT OF COMMUNIST YOUTH OF MEXICO AND PROMINENT LEFTISTS ARTURO SAMA ESCALANTE, FELIX GODOY ANDREU, AND CESAR NAVARETTE. OTHER NAMED ARE: CESAR RAMIREZ GONZALEZ, MARGARITA TOPETE, ENRIQUE MORALES JIMENEZ PLUS THE FIVE REPORTED MEXICO'S 6207. TWO AMERICANS AMONG THOSE DETAINED WERE: WILLIAM ROSADO ALIAS WILFREDO OR ALEJANDRO PEREZ (PUERTO RICAN) AND MIKA SATTER SEEGER 20 YEAR OLD STUDENT AND FRIEND OF ROSADO.
- 3. THERE IS NO OFFICIAL ESTIMATE AS YET OF WIDE PROPERTY

CHOPLIANTS EL CO.

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Department of State TELEGRAM

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DAMAGE RESULTING FROM JULY 26 VIOLENCE. SOME OWNERS HESITATING TO REPORT FOR FEAR OF REPRISALS.

- 4. STUDENT GROUPS NOW LAYING PLANS FOR FUTURE, STUDENTS OF VOCATIONAL SCHOOLS OF NATIONAL POLYTECHNIC INSTITUTE AND THREE SECTIONS OF THE NATIONAL PREPARATORY SCHOOL OF THE NATIONAL UNIVERSITY MET JULY 27, PROTESTED POLICE OPPRESSION, AND SOUGHT ADMERENCE OF PROFESSIONAL SCHOOLS. THEY ALSO REPORTEDLY REPUDIATED FALSE STUDENTS AND AGITATORS WHO PARTICIPATE IN DISORDERS AND COMMIT CRIMES. FURTHER DEMONSTRATIONS ARE PLANNED WITHIN NEXT FEW DAYS.
- 5. TROTSKYITES WERE ACTIVE IN CURRENT AGITATION AND ONE REPORT STATES THEY WERE INITIATORS OF JULY 26 RIOTS BY THROWING STONES AT POLICE AND THEN TELLING STUDENTS THIS WAS DONE BY POLICE.
- 6. POLICE PUBLIC POSITION REGARDING DISTURBANCES IS THEY WERE INSTIGATED BY LEFTIST AGITATORS FOR PURPOSE CREATING ATMOSPHERE UNREST. EMBASSY CONCURS IN THIS GENERAL ESTIMATE AND WILL BE ANALYZING SITUATION IN FURTHER DEPTH AS INFORMATION BECOMES AVAILABLE. FREEMAN



TELEGRAM 46

-SECRET 673

PAGE Ø1 MEXICO Ø6234 3Ø1948Z

SUMMARY

87-S ACTION ARA 16

INFO NSCE 00, CIAE 00, DODE 00, GPM 04, H 02, INR 07, L 03, NSC 10, P 04,

RSC 01, SP 02, SS 20, USIA 12, NSA 02, SAH 02, EUR 15, NIC 01, CU 04,

RSR 01,/106 W

R 301900Z JUL 68 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 7106

SANITIZED

Authority RAC-NLJ 001-060-2-6 By MAN. MARA. Date 11-20-01

SECRET-MEXICO 6234

PASS TO WHITE HOUSE

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MEXICAN GOVT HAS SOLID EVIDENCE CORROBORATING PUBLIC CHARGES OF MEXICO CITY POLICE CHIEF THAT COMMUNIST PARTY ENGINEERED JULY 26 STUDENT FRACAS. GOVT EVIDENCE ALSO INCLUDES INDICATIONS OF SOVIET EMBASSY COMPLICITY (INCLUDING TAUNT BY A PCM OFFICIAL THAT SECURITY POLICE WOULD FIND NO IMPORTANT DOCUMENTS SINCE THEY WERE ALL IN SOVIET EMBASSY.)

- 2. MEXICANS OFTEN BLAME FOREIGN ELEMENTS FOR SUCH INCIDENTS AND PCM LATELY HAS STRESSED ITS DESIRE TO PURSUE LEGAL MEANS BUT EMBASSY CONSIDERS THAT STRONG POSSIBILITY EXISTS MOSCOW HAS ORDERED PCM TO ADOPT MORE MILITANT TACTICS. ONE MOTIVE MAY BE SOVIET DESIRE TO COUNTER IMPACT ON PCM OF CZECH EVENTS. PCM PAPER, LA VOZ DE MEXICO, AFTER INITIALLY CARRYING FAVORABLE ARTICLES ON CZECHOSLOVAKIA, COMPLETELY SILENT ON EVENTS IN LAST FEW WEEKS, LINKED TO THIS MAY BE DESIRE TO STRENGTHEN INTERNATION DISCIPLINE OF PCM AS ALSO SUGGESTED BY REFURBISHING AND MORE PROMPT PUBLICATION BY PCM OF INTERNATIONAL COMMUNIST JOURNAL REVISTA INTERNACIONAL.
- 3. MOSCOW AND PCM MAY BE SEEKING TO TAKE PLAY AWAY FROM PRO-CUBAN EXTREMISTS THOUGH ELEMENTS OF COMPLICITY ALSO SEEM PRESENT. PRO-SOVIET AND PRO-CUBAN STUDENT ELEMENTS JOINED IN JULY 25 CELEBRATION OF CUBAN ANNIVERSARY. REVISTA INTER-NACIONAL APRIL ISSUE CONTAINING ARTICLE TAKING MORE FRIENDLY ATTITUDE TO CUBAN TACTICS HAS JUST BEEN ISSUED HERE AND MAY



Department of State TELEGRAM

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PAGE 02 MEXICO 06234 301948Z

HAVE BEEN INTERPRETED AS SIGNAL FOR STRONGER TACTICS BY PCM. FACT THAT CUBAN AMBASSADOR WENT TO MERIDA INSTEAD OF STAYING IN CAPITAL FOR JULY 26 FIESTA SUGGESTS HE MAY HAVE KNOWN WHAT WAS COMING THOUGH HE WANTED TO AVOID ANY SUGGESTION OF CUBAN INVOLVEMENT.

4. WHILE SEEKING TO AVOID DIRECT INVOLVEMENT, SOVIETS MAY BELIEVE THAT MEXICAN ANXIETY TO AVOID ANY DIPLOMATIC CONTRETEMPS WITH COMMUNIST WORLD AS OLYMPICS NEAR GIVES SOVIET EMBASSY MORE ROOM FOR SUBVERSIVE MANEUVER. HOWEVER, THEY KNOW THEY RISK STRONG GOVERNMENT CRACKDOWN ON PCM. STATEMENT BY MEXICAN POLICE CHIEF WHO LINKED RECENT RIOTS WITH OLYMPICS BOUND TO RECALL TO PCM AND MOSCOW PRESIDENT'S WARNING ON MAY 7 IN TALK WITH PCM POLITBURO THAT GOVERNMENT WILL CRACK DOWN HARD IF PCM FORMENTS DISORDER IN NEXT FEW MONTHS. BUT PCM USED TO CRACKDOWNS AND MOSCOW MAY BE PROCEEDING BY LENIN'S OLD INJUNCTION "BETTER."

5. DEPT MAY WISH TO PASS MOSCOW.
FREEMAN



TELEGRAM

Pal 13-2 mex

CONFIDENTIAL 520

PAGE Ø1 MEXICO Ø6255 311910Z

43 ACTION ARA 16

INFO CU Ø4.CIAE ØØ.DODE ØØ.GPM Ø4.H Ø2.INR Ø7.L Ø3.NSAE ØØ.NSC 10.

P 04,RSC 01,SP 02,SS 20,USIA 12,AID 28,NIC 01,SCA 02,SCS 04,0 02,

SY 03, PER 02, FBO 01, OPR 02, OC 06, CCJ 00, RSR 01, 10 13, PC 04, /154 W

P 311832Z JUL 68
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC PRIORITY 7120

CONFIDENTIAL MEXICO 6255

SUBJ: STUDENT DISTURBANCES

1. DESPITE SPORADIC INCIDENTS JULY 30. RELATIVE CALM RESTORED IN MEXICO CITY. MAYOR CORONA DEL ROSAL MET WITH NATIONAL POLYTECHNIC STUDENT LEADERS. HE AGREED TO CONSIDER THEIR PETITION CALLING FOR POLICE CHIEF REMOVAL. INDEMNITY FOR "FALLEN COMRADES," STRICTER REGULATION OF POLICE. RELEASE OF STUDENT PRISONERS. AND WITHDRAWAL OF ARMY. AS SIGN OF GOOD FAITH, ORDER THEN GIVEN FOR WITHDRAWAL OF ARMY FROM OCCUPIED SCHOOLS AND RETURN OF MOST UNITS: TO BARRACKS. HOWEVER, DEFMIN BARRAGAN ALSO ISSUED STATEMENT DECLARING ARMY WOULD MOVE AGAIN IF SUMMONED TO DO SO. LARGE NUMBER OF MINORS RELEASED FROM JAIL. UNIVERSITY CLASSES HAVE RESUMED.

2. LOCAL PRESS SEEKING TO GIVE IMPRESSION THAT WORST IS

OVER BUT EMBASSY BELIEVES DANGER: REMAINS STRONG OF RENEWED

DEMONSTRATIONS WITH EVER PRESENT POSSIBILITY OF VIOLENCE.

SEVERAL GROUPS AT NATIONAL POLYTECHNIC DISAVOWED DEAL WITH

MAYOR ALTHOUGH THEY INSISTED THEY WANTED ONLY TO DEMONSTRATE

PEACEABLY. TWO MAJOR ISSUES NOW AVAILABLE FOR READY EX.

PLOITATION BY RADICAL GROUPS: (I) POLICE BRUTALITY: (2)

UNIVERSITY AUTONOMY. WHEN EXTENT OF STUDENT CASUALTIES BECOMES

GENERAL KNOWLEDGE, FIRST ISSUE WILL BE REVIVED WITH INTENSITY.

SECOND ISSUE HAS BECOME CORE OF INCREASING PROTESTS AT

NATIONAL UNIVERSITY (UNAM), WHOSE STUDENTS HITHERTO HAVE:

GENERALLY BEEN ON SIDELINES. UNAM RECTOR, BARROS SIERRA,

IN SHREWD EFFORT TO FORESTALL INVOLVEMENT HIS STUDENTS, AGREED



Department of State TELEGRAM

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WITH THEIR PROTESTS AGAINST VIOLATION OF UNIVERSITY AUTONOMY AND PERSONALLY LOWERED THE SCHOOL FLAG TO HALF MAST. (UNAM AUTONOMY VIOLATED WHEN TROOPS OCCUPIED UNAM-CONNECTED SCHOOLS: IN DOWNTOWN AREA: NO TROOPS EVIDENTLY ENTERED MAIN UNAM CAMPUS.) WHETHER MORE RADICAL ELEMENTS IN UNAM (WHO ARE SPOILING TO: GET INTO FRAY) PREVAIL. TO BE DECIDED IN MEETING JULY 31. FREEMAN

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DEPARTMENT OF STATE

Assistant Secretary

July 31, 19*6*8

TO:

The Secretary

THROUGH:

s/s 3R

FROM:

ARA - Covey T. Oliver

Student Disturbances in Mexico - INFORMATION MEMORANDUM SUBJECT:

After five days, the worst student disturbances in Mexico City in 20 years appeared to be abating on July 31 as federal troops were withdrawn from the city. The demonstrations and rioting primarily involved secondary students, protesting police brutality and grievances against the bus companies, who were subsequently incited by communist and pro-Castro Police sources have reported four students dead, and groups. over 200 persons injured.

When student demonstrators overwhelmed riot police in the center of the city on July 29, army troops had to be called in to restore order and to expel students from the secondary schools they had occupied.

Following the initial disorders July 26 the Government arrested Communist Party (PCM) leaders and raided a communist paper. The press continues to stress communist and foreign involvement and the Government has indicated its intention to deport large numbers of foreigners including known communists even if they were not involved in the disorders. The daughter of U.S. folksinger Pete Seeger and one other American are among those who were arrested.

Embassy Mexico reports that while there is broad sympathy among students for the demonstrators and against police,

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there is little popular support, and even some resentment of the disruption caused.

The GOM may have used the disorders as a pretext to remove from circulation those communist leaders who it suspected might have led disturbances during the Olympics in October.

President Diaz Ordaz has not cut short a trip in the provinces in an apparent effort to minimize the importance of the riots. Protection of our Embassy has been excellent, and the American School, closed July 30 because of a bomb scare, reopened July 31, as did the National University.

The student grievances about police brutality, bus company failure to indemnify injured students and Government violation of university "autonomy" remain. When news of the four student deaths (currently suppressed) becomes public, further disorders are likely, though current estimates are that the worst of the violence has run its course.

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Department of State TELEGRAM

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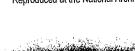
CONFIDENTIAL MEXICO 6328

SUBJ: ANALYSIS OF STUDENT DISTURBANCES

- I. EMBASSY HAS REVIEWED RECENT STUDENT RIOTS AND REACHED FOLLOWING CONCLUSIONS:
- 2. IMMEDIATE ORIGIN OF TROUBLE WAS JULY 23 GANG FIGHT BETWEEN TWO SCHOOLS WHICH TRIGGERED SUCCESSIVE PROTEST DEMONSTRATIONS AGAINST POLICE ON JULY 26 AND 29 WITH ESCALATING VIOLENCE WHICH NECESSITATED USE OF ARMY. GOVT GRANTED PERMISSION FOR JULY 26 AND 29 RALLIES PRESUMABLY AS OUTLET FOR STUDENT DISGRUNTLEMENT BUT OBVIOUSLY UNDERESTIMATED RESULTANT LEVEL OF VIOLENCE AND OVERESTIMATED DEGREE OF ITS CONTROL. MAJOR RALLY JULY 26 WAS IN HANDS OF NATIONAL POLYTECHNIC ORGANIZATION (FNET) HITHERTO CON-SIDERED UNDER GOVERNMENT CONTROL. STUDENTS! LACK OF ORGANIZATION AND COORDINATION MAY HAVE PERSUADED GOVERNMENT THAT JULY 29 鹭ALLY WOULD BE RAGTAG AFFAIR EASILY CONTROLLED。ALTHOUGH ALERTING OF ARMY DURING THAT AFTERNOON INDICATED SOME WORRY. ABOUT 2500 TO 3000 STUDENTS INVOLVED IN JULY 26 FRACAS, UNKNOWN NUMBER ON JULY 29 THOUGH ESTIMATES RUN INTO SEVERAL THOUSANDS, CASUALTIES ON JULY 29 NOT YET REVEALED. POLICE SOURCE CONFIDENTIALLY STATED FOUR DIED. ABOUT 200 WOUNDED (THOUGH RUMORS AROUND TOWN NAME LARGER FIGURES.)
- 3. GOVERNMENT FOR PSYCHOLO CAL REASONS STRESSING COMMUNIST AND FOREIGN CULPABILITY BUT DEGREE TO WHICH THIS IS CASE NOT ENTIRELY CERTAIN. COMMUNIST ROLE IN CHANGING PEACEFUL TO VIOLENT RALLY MOST CLEAR ON JULY 26 WHEN MERGER OF SMALL TOTALLY COMMUNIST PRO-CUBA RALLY

WITH LARGER FNET RALLY SPARKED FIRST SERIOUS OUTBREAK OF VIOLENCE. COMMUNISTS AWARE AHEAD OF TIME OF FNET RALLY AND MIGHT WELL HAVE







TELEGRAM

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HOPED

TO STIR UP STUDENT POLICE CLASH DESPITE VIRTUAL CERTAINTY OF GOVERNMENT CRACKDOWN AGAINST COMMUNISTS. PRO-SOVIET GROUPS COULD THEREBY DEMONSTRATE THEIR MILITANCY: MORE EXTREMIST ELEMENTS SUCH AS TROTSKYITES AND CASTRISTAS ALWAYS ON LOOKOUT FOR SUCH OPPORTUNITY. HOWEVER, FACT THAT MAJORITY OF PARTICIPANTS BEYOND CONTROL OF COMMUNISTS OR ANYONE ELSE OBSCURES DEGREE OF COMMUNIST INVOLVEMENT.

4. ONE DISTURBING CONSEQUENCE OF RIOTS, WHOEVER THE INSTIGATORS, HAS BEEN EVIDENT PREDISPOSITION OF LARGE NUMBER OF YOUNG MEXICANS INCLUDING MANY OF HIGH SCHOOL AGE, TO RESORT TO VIOLENCE. WINDOW BREAKING, LOOTING, USE OF MOLOTOV COCKTAILS, ATTEMPTED SEIZURE OF ARMS

REPRESENT NEW DIMENSIONS IN MEXICAN STUDENT AGITATION. EXTENSION OF DISRUPTION BEYOND UNIVERSITY WHICH HAD POTENTIAL FOR DAMAGING NATIONAL

PROGRAMS SUCH AS OLYMPICS AND TOURISM ANOTHER NEW DIMENSION WHICH CAN BE EXPECTED TO GIVE NEW HEART TO EXTREME LEFTIST GROUPS. TWO HIGHLY EXPLOITABLE ISSUES -- POLICE BRUTALITY, UNIVERSITY AUTONOMY -- AND PROSPECT OF MARTYRS MUST ALSO BE

ENCOURAGING TO THESE GROUPS.

5. REQUIREMENT FOR URGENT GOVERNMENT ACTION HEIGHTENED BY NEED TO BRING STUDENTS INTO LINE BEFORE DISTURBANCES AFFECT OLYMPICS AND TOURISM IN GENERAL. GOVERNMENT HAS ALREADY SHOWN ITS DISPOSITION TO USE BOTH STICK AND CARROT. NUMBER OF HARD CORE COMMUNISTS AND EX-TREMIST LEADERS WILL PROBABLY REMAIN IN JAIL FOR SOME TIME. STRONG MEASURES CAN BE EXPECTED TO CIRCUMSCRIBE ACTIVITIES OF THOSE ON OUT-SIDE . PATRIOTIC APPEALS SUCH AS THAT MADE BY DIAZ ORDAZ MAY INFLUENCE SOME STUDENTS. DESIRE OF MAJORITY TO RETURN TO THEIR CLASSES (ESPECIALLY SINCE EXAMS ARE NEAR! LACK OF SYMPATHY FOR STUDENTS! CAUSE OUTSIDE

THEIR RANKS ALSO STRONG GOVERNMENT ASSETS.

6. BROAD STUDENT SUPPORT WHICH AUTONOMY AND BRUTALITY ISSUES HAVE ALREADY GENERATED, EVIDENT VOLATILITY OF LARGE NUMBERS OF STUDENTS SUGGEST THAT GOVERNMENT WILL HAVE TO GO BEYOND TEMPORIZING CONCESSIONS

MADE TO STUDENTS BY MAYOR CORONA DEL ROSAL IF IT IS NOT ONLY TO TERMINATE CURRENT SITUATION BUT SECURE STUDENT COMPLIANCE AT LEAST THROUGH OLYMPICS. SACRIFICE OF RIOT POLICE IS OUT OF QUESTION, BUT





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GOVERNMENT MIGHT ADMIT THAT POLICE ACTED TOO HARSHLY, PUBLICIZE FACT SOME HAVE BEEN DISCIPLINED AND STUDENTS INDEMNIFIED. ANNOUNCE NEW RULES ON POLICE BEHAVIOR IN STUDENT MATTERS. BUT THESE ACTIONS MAY NOT BE ENOUGH. GOVERNMENT MAY HAVE TO ACCEDE TO DEMAND THAT POLICE CHIEF AND/OR HIS DEPUTY BE SACRIFICED.

7. MULTIPLICITY OF STUDENT ORGANIZATIONS MEANS THAT FULL AGREEMENT WITH STUDENT BODY IS NEVER POSSIBLE AND CONCESSIONS ALWAYS CARRY WITH THEM DANGER THAT DEMANDS WILL BE STEPPED UP. MOREOVER, CURRENT AGITATION HAS NOT EVEN TOUCHED MANY GRIEVANCES OF ELEMENTS MOST ACTIVE IN RECENT RIOTS, PARTICULARLY STUDENTS AND TEACHERS IN PRE-PARATORY SCHOOLS. THESE GRIEVANCES -- NOT EASILY SATISFIED -- INCLUDE BADLY

EQUIPPED AND CROWDED CLASSROOMS, INADEQUATE TRANSPORTATION, RESTRICTED

ENTRY INTO UNAM, AND IN CASE OF TEACHERS, POOR PAY.

8. ALTHOUGH THERE ARE SEVERAL GROUPS WHICH WOULD HAVE LIKED TO GIVE STUDENT DISTURBANCES MORE POLITICAL TINGE, INCLUDING IN SOME IN-STANCES PUSHING THEM INTO ANTI-AMERICAN DIRECTIONS, STUDENT RANCOR ALMOST ENTIRELY CENTERED ON SPECIFIC QUESTIONS OF POLICE BEHAVIOR AND UNIVERSITY AUTONOMY. REPEATED RECEIPT OF THREATS BY US AND US-IDENTIFIED

INSTITUTIONS APPEARS IN MAIN TO HAVE BEEN DESIGNED TO DISPERSE POLICE FORCES AS WELL AS TO IDENTIFY US WITH ANTI-SUTDENT FORCES* RESULT WAS TO WORRY AMERICAN COMMUNITY AND IN CASE OF EMBASSY TO DEMONSTRATE BY NUMEROUS POLICE GUARD GOM'S ANXIETY TO AVOID INCIDENTS WHICH MIGHT AROUSE US OPINION .

DEARBORN

DEPARTMENT OF STATE
Assistant Secretary

To: The Secretary

THROUGH: S/S 1

FROM: ARA - Covey T. Oliver

SUBJECT: Mexican Student Demonstrations - INFORMATION MEMORANDUM

The Rector of the National University led a massive

non-violent student march last evening through parts of central Mexico City. Large groups of students attempting to enter the main square were prevented from doing so by police, but no major clash between the two groups took place.

Today, Friday, has so far been quiet. Students are meeting at the University to revise their statement of demands, and no demonstrations are known to be planned for this evening. President Diaz Ordaz, on a tour of provincial capitals, has made his first statement on the subject, deploring the disorders and urging reconciliation. The Government is making every effort to channel the protests toward peaceful protests, and today released 78 more students.

Student grievances remain, the pressure on the Government continues strong, and further disorders are still a possibility, especially when the suppressed news of several student deaths becomes public.

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U.S. DEPARTMENT OF STATE

DIRECTOR OF INTELLIGENCE AND RESEARCH

Intelligence Note - 616

August 6. 1968

To :

The Secretary

Thru From : S/S

INR - Thomas L. Hughes

Subject: Mexican Student Riots Highly Embarrassing But Not a Threat to Stability

The rioting of preparatory students in Mexico City, which has subsided, was highly embarrassing and of serious concern to the government, but never a threat to its stability. Characteristically the government reacted with military force when it decided the situation had reached the critical point. The government will probably attempt to justify its use of military force and its violation of university autonomy as necessary measures dictated by the volatile nature of the situation. As the date of the Olympics approaches, the administration of President Diaz Ordaz will step up its efforts to head-off student demonstrations and the security forces will grow increasingly sensitive to any indication of trouble.

Embarrassment but no threat to stability. The riots were unprecedented in scale and intensity and came at a time when the government of Mexico was most anxious to impress the world as a deserving host for the October Olympics. The government, which has worked hard to prepare for the Olympic games, will not soon forget the damage which the student mobs inflicted on Mexico's reputation abroad. Press accounts of the deployment of tanks and armored cars against student barricades served to picture Mexico as a battleground, not unlike Paris during the May-June civil disturbances. The rectacle of paratroopers smashing students in the face with rifle butts and dragging the of paratroopers smashing students in the face with rifle butts and dragging the of paratroopers.

paratroopers smasning students in the face with rifle butts and dragging

school building in the heart of downtown Mexico City is without precedent in

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years and certainly not in keeping with Mexico's public relations image as the most stable and progressive country in Latin America.

Because of the monolithic nature of the Mexican political system the riots were never a threat to government stability, however difficult they were to control. The student sector by itself is incapable of seriously threatening established authority in Mexico. To do so it would need widespread support from the labor and/or peasant sectors and there have been no indications that either of these groups is sympathetic to student interests. Both are part of the Institutional Revolutionary Party (PRI) which has ruled Mexico since the 1910 revolution. Some student leaders apparently sought factory worker support but there is no evidence they were successful.

The vast majority of students did not participate in the mob action and according to a number of reports, students were concerned about the manner in which Mexico's good name was being blackened. A student leader apparently requested police intervention when the July 26 demonstration against alleged police brutality spilled over into violence. About 2,000 or 3,000 students actually took part in the rioting and looting which occurred on 20 and 29 July, whereas about 80,000 marched on August 1 in a protest demonstration that was not marked by any major violence.

Government response. The government, as it has in past, moved quickly with all the force it deemed necessary as soon as it was convinced that the situation was getting out of control. A strategic committee of the Secretariat of Interior—the head of which has presidential ambitions, and other high government officials was established immediately after violence erupted July 26. The committee decided to allow the students to effervesce—for a time hoping that the situation would not become violent. However, troops were alerted—and moved into position. The govern-

ment apparently considered the period around the 29th crucial and when it acted, it used massive force in an effort to convince the rampaging students that it would not tolerate a breakdown in public order. After the initial crack down, in which paratroopers fired a bazooka shell into the door of a preparatory school, the military seemingly employed limited force to break up student gatherings.

At the same time that force was being applied the government worked quietly with the rector of the National Autonomous University and some student leaders. The strategic committee, acting on instructions from the president, advised the rector to encourage demonstrations on the university campus and even to criticize the government. The mayor of Mexico City met with the head of the National Federation of Technical Students on the subject of the withdrawal of federal troops to permit student leaders to attempt to restore order in the student community.

Government line. The government has publicly accused the communists of engineering the civil disturbances and the security forces claim they have evidence linking the Communist party to the riots. It seems fairly certain that communist youth members celebrating the anniversary of Fidel Castro's revolution managed to take over the July 26 demonstration which had been authorized by the government. The role which communist agitators were able to play from this point on is not clear, however, and there is little doubt that many of the rampaging students were not under communist control. But for face-saving reasons the government will probably continue to stress the communist role and attempt to play down the degree of non-communist participation.

University autonomy is still a major issue in Latin America. Nevertheless, the question is probably less volatile now than it was several years ago. Two democratic governments (Colombia and Venezuela) have violated university autonomy with relative impunity. The Mexican government has taken the position that autonomy is not the same

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as extra-territoriality and that it does not mean that a school and its students are free from law enforcement. This position could strike a responsive cord in public opinion because it is opposed to the destruction of property. The government will probably also seek to show that its use of force was the only action the mob could understand and that it was the major deterrent in preventing the disorders from spreading.

Outlook. As the October date of the Olympic games draws near, the government will probably become increasingly sensitive to any degree of unrest and will make some efforts to pacify the student community. Student disorders are endemic to Mexico and violence is almost always possible. But usually the government is able to head-off trouble before it begins through its many contacts and controls within the student community. Apparently this monitering system broke down in the case of the July 26 riot. Certainly the government would never have authorized the demonstration if it had believed there was any possibility of violence developing. For this reason connections and controls within the student groups and academic faculties will almost surely be increased.

The security forces will remain alert and ready to react at the first sign of trouble. Student agitators who were clearly involved in the rioting can expect to remain in fail for many months. Most of the other students will probably be released. Undesirable foreign elements, including five French students who may have been involved in the demonstrations, may be deported. Apparently radical students feel that their efforts have been stymied by the government for the present, but they plan to reorganize and build for new agitation to culminate some time within the next three months. Such activities will be watched closely by the police and agitators not already in Jail can expect to be arrested at the slightest provocation.

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The combination of 80,000 students marching on August 1 and the lack of significant violence on that day would seem to indicate that the situation has definitely shifted from a state of violence to one of peaceful protests. But it also shows that the student community is agitated and willing to demonstrate publicly its opposition to the government. The government's tactic of working quietly with some student leaders and the university rector, as well as other academic officials, could be paying dividends. However, the situation has not yet stabilized and an incident could spark into violence without warning.

DEPARTMENT OF STATE SECRET/NO FOREIGN DISSEM

August 16, 1968

To

From

The Secretary

DIRECTOR OF INTELLIGENCE AND RESEARCH

Through:

s/s

INR - Thomas L. Hughes

Mexican Student Demonstrations Continue Despite Government Efforts

Large student demonstrations in Mexico City are continuing despite government efforts to calm the student community. The demonstrations, which grew out of the bloody riots on 26 and 29 July, have had no major political repercussions as yet and have focused almost exclusively on grievances against police and other government officials. is a key factor in government responses to the situation because of the nearness of the October Olympic games.

Demonstrations continue. Radical student leaders and some communist youth members have successfully mounted three large student marches in downtown Mexico within the pas ψ_{λ_i} three weeks. Upwards of 80,000 students participated in two of the demonstrations, the last of which was held on August 14. Student leaders working through various organizations have been able to sustain a high level of unrest in the community and have seemingly blunted government efforts to pacify the situation. The government has continued to work discreetly behind-the-scenes with sympathetic student leaders and the rector of the National Autonomous University, hoping to dissipate student fervor. the tactic does not appear to be working and there are indications that responsible student leaders may be losing influence.

There has been no major violence since the government used military force to pu mdown the July 29 riot. The peaceful character of the massive demonstrations is undoubtedly due largely to government manipulations of sympathetic student leaders. \mathscr{G}_{n} the other hand, the violence risk factor in allowing large numbers of students to

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gather is extremely high and an incident could be precipitated without warning. The government's decisions to authorize each demonstration were probably taken in the belief that student energy would soon wear down, but the August 14 demonstration indicated that student enthusiasm remains high.

Students demands. So far student grievances have focused on local issues, but national issues could emerge if unrest continues. The students have charged the police with brutality, and are demanding the release of all imprisoned students and the recognition of university autonomy, which was violated by the military on 29 July. Radical student elements have made broader demands, including a bid for a 40-hour work week and better housing, hoping to enlist labor support, but most students do not as yet appear to be sympathetic to this approach.

The government has not shown any inclination to accede to student demands. It has offered to appoint a committee composed of students, educators, and government officials to study grievances and charges of police brutality, but the students have seemingly rejected the proposal. President Diaz Ordaz has made only one public speech concerning the demonstrations and has not seen fit to take a public stand on any proposed settlement of student problems. And for the first time student banners showed some animus against the president in the August 14 march. Heretofore the students have directed their anger at the chief of police and the mayor of Mexico City and called for their dismissal.

Time a key factor. Because of the nearness of the October Olympic games, the government may have to make some concessions to the students. However, the government will not wish to seem weak in the face of student intransigence, and the massive demonstration on August 14 will complicate efforts to work out a reconciliation. Student

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leaders will not be inclined to settle on terms favorable to the government so long as they are convinced that they can sustain unrest. As the time factor grows more important, President Diaz Ordaz may decide to appeal to student partriotism while offering to accede to some student demands. But he will retain the capability and willingness to deal harshly and effectively with new disorders.



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CONFIDENTIAL MEXICO 6648

SUBJ: STUDENT SITUATION

1. AUGUST 20 RALLY AT UNIVERSITY CITY ORGANIZED BY NATIONAL STRIKE COMMITTEE (CNA) AND TEACHERS COALITION ATTRACTED 15,000. NON-ATTENDANCE OF ANY SENATORS OR DEPUTIES: AT SCHEDUL-ED DEBATE PROMPTED DECLARATION BY RALLY LEADERS THAT NEXT MAJOR DEMONSTRATION ON AUGUST 27 WOULD CARRY THE STUDENT DEMANDS TO LEGISLATORS. PARTICIPATION OF IPN AND UNAM STUDENTS IN "INFORMATION SQUADS" ATTEMPTING ELICIT FUNANCIAL AND MORAL SUPPORT TO BE INCREASED THIS FRIDAY. RALLY DRATORY DOMINATED BY HARD LINE: REITERATED REFUSAL PARTICIPATE IN CORONA DEL ROSAL'S TRIPARTITE COMMISSION, NO CHANGE IN DEMANDS.

2. EXCELSIOR THIS MORNING CARRIED HALF-PAGE AD CALLING FOR NEW POLITICAL PARTY APPEALING TO YOUTH. FIRST ASSEMBLY OF "PARTIDO NUEVA PATRIA" TO BE HELD IN D.F. LAY SEPTÉMBER. ACCORDING TO CAS. SIGNERS MAINLY TROTSKYITE AND OTHER COMMUNIST. SEPARATE AD PLACED BY DAVID ALFARO SIQUEIROS AND OTHER INTELLECTUALS/ARTISTS DENOUNCED DANGERS OF ANTI-COMMUNISM AND CALLED FOR RELEASE ALL POLITICAL PRISONERS. NOT JUST THOSE RESULTING FROM JULY 26 EPISODE. AMCONSUL MERIDA REPORTS DEPARTURE SOME PCM. MEMBERS FOR CAPITAL. ON ORDERS FROM CENTER.

3. AGAINST GROWING EVIDENCE COMMUNIST ACTIVITY IN STRIKE MOVEMENT THERE ARE UNCONFIRMED INDICATIONS IN AFTERNOON: PAPERS THAT CRACKS IN STUDENT LEADERSHIP WIDE: ING. EL SOLEREPORTS MOVE TO OUST TWO OF SPEAKERS AT YESTED A SERALLY FROM



Department of State TELEGRAM

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AmEmbassy MEXICO, A-1292 Page 2

- 1. In the early sixties, student disturbances had a more political and pro-Communist cast than has been the case subsequently. The over-riding issue of Cuba provided a pretext for turning almost any student protest into an anti-American demonstration, i.e. for changing the focus of discontent from intra-campus to international. The Dominican issue and Vietnam had a similar though less pronounced effect. However, at this time, U.S. Vietnam policy carries little emotional impact even though widely and frequently condemned by all leftist factions. Vietnam demonstrations continue, but with many fewer participants and much less enthusiasm than characterized the pro-Cuba demonstrations of a few years ago.
- 2. In the past five years most protests including both student and faculty strikes and demonstrations have focused on local issues. Some have been lodged against university officials in complaint against conditions in the schools. The most common complaints are low faculty wages, poor professors, and inadequate physical facilities. Low academic standards are condemned but specific efforts to improve them are often effectively opposed by the very students who complain. In general, the list of specific problems which provoke student and at times faculty protest is virtually endless.
- 3. At times the state authorities are the target of university protest. In the spring of 1967, the University of Sonora backed by the local community of Hermosillo vigorously challenged state officials, who they claimed were imposed by the PRI, the ruling national party. The incident was one of the most prolonged and bloody of recent times. Several persons were killed and finally the University was seized by federal troops. Other incidents of this kind have occurred where students protesting local issues have directed their attacks against the state authorities. However, demonstrations against the national Government have been virtually unknown until the most recent demonstration in Mexico City.
- 4. Disturbances among the students in Mexico also result from competition among student groups for power and from rivalry among various schools. At the National University a half dozen or more major student groups from far right to equally far left vie for the allegiance of the 94,000 students. In Puebla during July, 1968 one student was killed and several others injured in a battle

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between two student organizations. In a word the numbers are great, passions run high, and the potential for violence considerable even when there is no ideological motivation. The rivalry between schools presents some of the same potential. Also during July students from a preparatory school of UNAM engaged their counterparts from a prevocational school of IPN (Instituto Polytecnico) in a street fight which resulted in the intervention of large numbers of police.

- 5. Conflict between student groups, students and faculty against the administration or against an international policy, or university against local or state authorities presents a potential for violence, and this threat to the peace of the community in turn involves the police. During decades of university-police confrontations unwritten rules have evolved. The students have sought the protecting wall of university autonomy, but the government has not hesitated on several occasions (in Morelia, Chilpancingo and Hermosillo) to seize and occupy universities where violence has broken out.
- 6. The role of Communists and/orientation in the numerous student strikes of the past five years has been more ambiguous than in the early part of this decade. Communist influence can be found in some of the strikes and in several instances they have assumed a major role after outbreaks of unrest but Communist initiative and guidance have seemed comparatively rare. The PCM (Communist Party of Mexico), the JCM (Communist Youth of Mexico), and CNED (National Central of Democratic Students) have been involved along with various Trotskyite and pro-Castro organizations. The sharp divisions within the left have prevented coordinated action among the various groups which often have worked separately toward common goals. Agitators of varying degrees of skill have used infiltration, propaganda, and money in their efforts to turn the recurrent student-police conflict into broader political conflicts. And in 1968 a factor, the influence of which is difficult to assess, but which may have come into play in Mexico, is the impact of the student movement which has created havoc in countries as diverse as France, Japan, Czechoslovakia, Brazil, and the U.S.
- 7. The ultimate strength of the students in any conflict with the authorities depends on the ability of the students to gain the sympathetic involvement of other sectors of the community. In certain instances, such as when they secured the resignation of the governor of Durango, the Mexican students have achieved such support. In Hermosillo in 1967 and in Villahermosa in 1968 they also appeared to have some support among the townspeople although nothing was achieved. However, only the small far-left political groups have consistently championed student interests against the police. Peasants have even been brought into provincial towns as a counter-force to the power of

spector in a second

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demonstrating students. To date the government has been able to isolate all instances of student disorder either within the academic community or within one area of the country.

CHRONOLOGY OF MAJOR STUDENT INCIDENTS (1963-68)
8. September 23, 1963 - Students at the University of Nuevo Leon went on strike to force the ouster of the Rector who had been trying to raise academic standards. The Rector attempted to deny academic credits to the strikers, but the students remained united and he was forced to resign on October 18.

- 9. March 1964 Students in the normal schools of the state of Chihuahua demonstrated in support of peasants who had invaded private lands there. The land invasions were instigated by the UGOCM (General Union of Workers and Peasants) of the PPS (Partido Popular Socialista).
- 10. October 13, 1964 Students of the University of Puebla joined the Union of Small and Medium Producers of Milk in a protest against a new state regulatory law. The demonstration turned into a riot in which the police injured 30 persons. The students then demanded the resignation of the governor. Martial law was declared, the governor took a six month leave of absence, and order was restored. The PCM (Communist Party of Mexico) and other leftist groups helped organize the original protest and Ramon Danzos Palamino, well known communist figure, was released in the settlement.
- 11. November 6, 1964 Students at the University of Chihuahua went on strike to protest the discontinuation of night classes. Attempts of the UGOCM to turn the protest into a riot were thwarted by the students. One sympathy demonstration was held at the University of Veracruz.
- 12. January 14, 1965 Two rival groups at UNAM both claiming to be FUSA (University Federation of Societies of Students), clashed, and several students were seriously injured. Campus police stood by without intervening.
- 13. February 9, 1965 400 non-striking students of the University of Guerrero ousted 48 of their classmates from a building which had been seized in protest against a new rector.
- 14. March 17, 1965 20 to 30 students at the University of Nuevo Leon occupied the philosophy building in an attempt to force the dismissal of the Director of the School of Philosophy. The Rector of the University had the students ejected by the police, but others took their places. The University Council then effected a compromise which included censure of the Rector for involving the police.

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- 15. November 27, 1965 Attempts by the now defunct MLN (National Liberation Front) and the PCM to organize anti-Vietnam war demonstrations failed. (At least 3 other attempts to spark similar demonstrations in cooperation with the international anti-war movement also failed during the year.)
- 16. February 7, 1966 Students rioted in Culiacan, Sinaloa, over the refusal of local theaters to give discounts. Seven theaters were sacked.
- 17. March 14, 1966 Law students at UNAM, angered by administrative practices of the Law School Director, seized the school to force his resignation. The faculties of philosophy and political science joined the strike and several preparatory schools were closed because of the general climate of unrest. A stalemate insued. During the fifth week students, incensed by a false rumor that one of their number had been seriously injured, seized the administration building and held the Rector (Dr. Ignacio Chavez) hostage for several hours. Following this incident the Rector resigned along with a number of other high officials. A settlement was reached three weeks later by Chavez' successor, Barros Sierra.
- 18. April May 1966 Students at two preparatory schools in Puebla remained on strike for over two months in protest against the firing of the schools' directors both of whom were widely known for their leftist political activity. JCM (Communist Youth of Mexico) tried to organize sympathy movements in Morelia and Monterrey but with no significant success.
- 19. June 4, 1966 Trotskyists (Revolutionary Workers Party) dynamited statue of Miguel Aleman, former president of Mexico, on the UNAM campus.
- 20. June 10, 1966 In Mexico City police broke up a demonstration of 1.000 students protesting US-Vietnam and Dominican policies.
- 21. June July 1966 Students at the National Teachers College (Escuela National de Maestros) went on strike for increased scholarships and guaranteed jobs. School director offered some concessions which were accepted by the student leadership. By this time CNED (National Central of Democratic Students) had become involved and formed an ad hoc committee to reject the offer. The strike continued until greater concessions were offered. The final outcome enhanced the prestige of the leftist spokesmen.

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- 22. June July 1966 Students of the Durango Technological Institute seized an iron mine in support of demands by the people of Durango that the company build a processing plant on the site. The mine was held for two months until the company promised to begin construction immediately on the proposed plant and also pay royalty to the town on ore taken from the mine. During the course of the conflict student anger turned against the governor (Dupre Ciniceros) for allegedly not defending the interests of the state. Dupre was removed shortly after a settlement was reached when Pres. Diaz Ordaz charged that "constitutional authority" had disappeared in the state as a result of the governor's "total lack of responsibility and direction." The ouster was in response to the governor's poor handling of a local problem rather than to student demands, but nevertheless the student disturbance did result in the downfall of the state authority.
- 23. July 18, 1966 Ignacio Medina, appointed Director of the Law School of UNAM, was forced to resign before assuming the office by hostile students.
- 24. July 26, 1966 Communist and Trotskyists organized pro-Cuba demonstrations. Around 2,000 persons participated but little public interest was shown.
- 25. August 1966 Students at the National Teachers College went on strike for two more weeks. No consideration was given to their demands and the strike was broken by a threat to withhold academic credits.
- 26. September 1966 20 students seized the economics building at the University of Sinaloa in protest against the firing of a communist professor. Later the entire university was occupied and the Rector forced to resign.
- 27. October 2, 1966 A student at the University of Morelia was shot and killed by a member of the State Judicial Police. The University has a tradition of communist influence and leftlist leaders tried to take advantage of the incident to destroy the reputation of the moderate governor. Demonstrations became violent and federal troops occupied the city on October 8. Attempts by leftlists to gain labor and campesino support failed completely, and a sympathy demonstration at UNAM attracted little interest.
- 28. October 25, 1966 100 students of the University of Guerrero occupied university buildings demanding the ouster of the Rector and according to some reports to embarrass the generally unpopular

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governor. After five weeks non-strikers regained the buildings by force. In January of 1967 a new Rector was appointed and disturbances broke out again. This time state police restored order without regard to autonomy. Support for the strikers came from communist sources, CNED, and from individuals within the state and federal governments.

- 29. January 5, 1967 50 students seized the economics building at UNAM in protest against the appointment of an interim director of the School of Economics during the vacation period. The building was returned the next day following a promise of an investigation.
- 30. January February 1967 The Chihuahua local of the National Teachers Union struck for about 2 months in demand of higher wages. The Secretariat of Education offered concessions which were accepted by the national union but rejected by the local. A member of the Secretariat of the PCM was reportedly sent to the scene to encourage a continuation of the strike. A settlement came after concessions, threats of dismissal, and threats of expulsion from the national union.
- 31. January February 1967 A strike at the National Teachers College demanding the resignation of one of the directors failed when non-striking students overwhelmed the dissenters by force of numbers. The PCM was reported to have paid a fixed amount daily to perpetuate the strike.
- 32. February 10, 1967 The Law School of the University of San Luis Potosí struck in protest against the absenteeism of the Director. Simultaneously the School of Business Administration protested the forced resignation of its director.
- 33. February 15, 1967 One student was killed and many injured in a fight between rival student organizations at University of Juarez in Tabasco.
- 34. March 1, 1967 In Mexico City PCM, PPS (Popular Socialists Party), and the Trotskyists united to organize a Vietnam protest but only 150 of the anticipated 5,000 attended.
- 35. February 24, 1967 University of Tamaulipas went on strike demanding autonomy. The strike ended two weeks later with a compromise between students and the state governor.
- 36. February 26, 1967 Students at the University of Sonora in Hermosillo began a protest against the methods used by the PRI to choose candidates for the state governorship and other offices. The students had the support of many of the townspeople who closed their shops during certain hours as

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a demonstration of solidarity. As the University strike and other protests continued a number of violent clashes occurred in which several people were killed and many more injured. In late May, after all attempts at compromise had failed, federal troops seized the University and other schools. The conflict centered around resentment against domination of local issues by the central government. In the following municipal elections a mayor was elected from the oppositionist PAN (National Action Party).

- 37. March 15, 1967 About 4,000 persons mainly student members of CNED participated in an anti-Vietnam rally in Mexico City.
- 38. April 10, 1967 Students at the University of Juarez in Villa hermoso, Tabasco, rioted during a demonstration demanding an increase in state funds for the school and dismissal of the state police chief. After a strike of about two weeks the police chief was fired and the state funds increased. There was no evidence of communist involvement but groups in Mexico City were quick to take up the cause.
- 39. April 1967 Preparatory students in Monterrey seized 33 buses and held them until several dismissed drivers were reinstated and pay raises were granted.
- 40. April 28, 1967 Police attempts to maintain order during a celebration in Puebla provoked a riot by 300 of the students causing extensive property damage.
- 41. May 8, 1967 A strike was begun by students of the Superior Agriculture School at Ciudad Juarez, Chihuahua, who demanded that the government take over the private institution. With the active participation of CNED and other leftist student organizations the strike spread to 10 other agriculture schools throughout the country. By July other schools were ready to join the strike including the IPN (National Polytechnic Institute). A compromise was reached on July 15, which included the establishment of a state agriculture school at the University of Chihuahua for the dissidents and the end of the state subsidy to the private school.
- 42. October 23, 1967 Students at University of Tamaulipas went on strike demanding the resignation of the Rector. The stoppage continued for over two months until several violent incidents brought the intervention of state authorities. The Rector was fired.
- 43. February 3, 1968 The "Student March on the Road of Freedom" began with several hundred participants. CNED was the principal organizing force behind the march, the stated purpose of which was to gain the release

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- of political prisoners, including a CNED leader Rafael Aguilar Talamantes. The government released Talamantes in advance. The march was stopped by federal troops, ostensibly to prevent violence between the demonstrators and hostile townspeople along the route.
- 44. February 29, 1968 Students of Preparatory #4 of UNAM clashed with their counterparts in Prevocational #4 of IPN in a dispute over buses serving the area. This and other similar fights resulted in several injuries during the week.
- 45. March 13, 1968 Students at the University of Nuevo Leon supported a strike by university workers and classes were suspended.
- 46. March 13, 1968 A strike at the University of Chihuahua was settled by an agreement by the Secretary of Agriculture to subsidize the new school of agronomy at the university.
- 47. April 1, 1968 A strike of students in the School of Odontology at UNAM was resolved by a compromise in which the director of the school was given a temporary leave of absence, rather than dismissal as demanded by the students.
- 48. April 1968 Students of Preparatory #9 seized 31 buses and held them until the company paid indemnity to the family of a student killed in a bus accident.
- 49. May 1968 Students again demonstrated in Villahermosa, Tabasco, this time demanding the ouster of the governor. One march through the town attracted over 30,000 participants indicating that the students had support from other elements of the population. This support quickly waned, however, and within two weeks the state authorities again had the situation under control.
- 50. April 25, 1968 In Mexico City approximately 4,000 persons, mostly students, demonstrated against the war in Vietnam.
- 51. May 1968 A teachers' strike in Yucatan demanding regular payment of salaries lasted several weeks before an agreement was reached.
- 52. July 10, 1968 A clash between two student groups for control of the DEP (Puebla Student Directory) at the University of Puebla left 1 dead and 8 wounded. Police stood by for 8 hours while the students engaged in a pitched battle before moving in to quell the disturbance. The next day the students demanded that the governor be ousted for allegedly having supported one of the factions. There was no evidence to support the charge however, and the governor remained in power.

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53. July 1, 1968 - The Coalition of Workers of the University of Veracruz went on strike in demand of higher wages. When 7 of the striking professors were fired the 48,000 students joined the stoppage. A compromise settlement was reached on July 12.

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P 271558Z AUG 68 FM AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 7405

CONFIDENTIAL MEXICO 6722

SUBJ: STUDENT DISORDERS

1. SINCE VIOLENT CLASHES OF SECURITY FORCES WITH STUDENTS DURING THE LATTER DAYS OF JULY, GOVT HAS GLEARLY LEANED OVER BACKWARDS TO AVOID SITUATIONS WHICH MIGHT PRODUCE REPETITION. THUS MASSIVE STUDENT MARCH AUGUST 13 WAS CARRIED OUT WITHOUT SECURITY FORCES IN EVIDENCE AND STUDENTS HAVE BEEN GIVEN FREE HAND TO HOLD MEETINGS, PUBLISH THEIR VIEWS AND PASS OUT HANDBILLS AND LEAFLETS (EVEN THOSE MOST INSULTING TO PRESIDENT AND CALLING FOR VIOLENCE.) FURTHERMORE A NUMBER OF CONFIRMED REPORTS OF EXTORTION OF CONTRIBUTIONS FROM PASSING MOTORISTS AND IN RESTAURANTS HAVE BEEN RECEIVED. GOVT APPARENTLY BELIEVES THAT WITH APPROACHING VACATIONS AND INCREASING INTEREST OF STUDENTS IN MEETING WITH GOVT RFPS TO DISCUSS SITUATION, HIGH EMOTIONAL PITCH OF STUDENT ACTIVITY WILL DECLINE IF NO NEW INCIDENTS OCCUR TO INFLAME STUDENT OPINION. MEANWHILE GOVT AGENTS ACTIVE BEHIND SCENES ATTEMPTING TO DIVIDE AND WEAKEN SUPPORT OF EXTREMIST STRIKE LEADERS.

2. THIS SEEMS TO BE REASONABLE COURSE FOR GOVT TO PURSUE IN VIEW MASSIVE NATURE AND HIGH EMOTIONAL PITCH STUDENT DEMONSTRATIONS AND APPROACHING OLYMPIC GAMES. THERE ARE SOME INDICATIONS THAT STUDENT OPINION IS MODERATING IN THE FACE OF THIS ATTITUDE BY THE GOVT. DANGER IS OF COURSE THAT



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AVOIDANCE OF ADDITIONAL INFLAMMATORY INCIDENTS NOT DEPENDENT ON GOVT ALONE. EXTREMIT STUDENT GROUPS. IF THEY SEE STUDENT ENTHUSIASM MELTING AWAY. CAN CREATE INCIDENTS OF VIOLENCE WITH REAL OR ALLEGED MARTYRS. THIS IS UNPREDICITABLE ELEMENT IN PRESENT SITUATION.

- 3. IN THIS, AS IN OTHER STUDENT PROTESTS, CRITICAL POINT TO WATCH IS EXTENT TO WHICH STUDENTS ENLIST ACTIVE SUPPORT OF MASS SECTORS OF POPULATION (LABOR, PEASANTS OR URBAN POOR.) EMB HAS NO EVIDENCE THAT SUCH SUPPORT HAS BEEN OBTAINED IN SIGNIFICANT DEGREE BUT THERE IS SOME EVIDENCE THAT LABOR LEADERS ARE UNEASY THAT PROLONGATION OF PRESENT SITUATION MIGHT LEAD TO SOME EROSION OF LABOR LEADERSHIP'S CONTROL OVER RANK AND FILE (SEE EMBTEL 6616.) WHILE STUDENT STRIKE PRODUCES WIDESPREAD UNEASINESS AND HOLDS POTENTIALITIES OF DANGER, IT DOES NOT SIGNIFICANTLY INTERRUPT NORMAL LIFE AND ACTIVITY OF CITY IN WAY WHICH STRIKE BY ORGANIZED LABOR OR KEY SECTORS THEREOF WOULD.
- 4. ALSO TO BE WATCHED IN CONNECTION WITH EVOLUTION OF STUDENT SITUATION ARE MASSIVE STUDENT MARCH PLANNED FOR AUGUST 27. WHICH MAY PROVIDE INDICATION EFFECTIVENESS OF GOVT TACTICS TO DATE, AND PRESIDENT'S REPORT (INFORME) TO CONGRESS ON SEPT 1. WHICH ALMOST CERTAINLY WILL DEAL WITH STUDENT PROBLEM. EMB HAS REPORTS THAT MASSIVE DEMONSTRATIONS IN SUPPORT OF PRESIDENT WILL OCCUR ON SEPT 1 WHEN HE GIVES REPORT OR SHORTLY THEREAFTER. THESE ARE PLAUSIBLE IN LIGHT PAST MEXICAN POLITICAL TECHNIQUES BUT ON OTHER HAND LABOR LEADER AND SENATOR JESUS YUREN IS QUOTED IN PRESS AS STATING NO SUCH MANIFESTATIONS PLANNED.
- 5. WHILE STUDENT DELEGATIONS FROM EDUCATION INSTITUTIONS
 OUTSIDE MEXICO CITY HAVE BEEN REPORTED PARTICIPATING IN
 STUDENT DEMONSTRATIONS HERE, EMB HAS NO INFO SYMPATHY STRIKES
 HAVE SPREAD SIGNIFICANTLY BEYOND MEXICO CITY AREA.
- 6. IT IS TOO EARLY TO DETERMINE WITH CONFIDENCE EITHER UNDER-LYING CAUSES OF STUDENT FLARE-UP OR ITS LONG-TERM EFFECTS. IN SHORT TERM, HOWEVER, PRESIDENT HAS COME IN FOR SHARP CRITICISM FROM THOSE WHO SAY HE HAS OVERREACTED TO SITUATION AS WELL AS THOSE WHO SAY HE SHOULD HAVE ACTED SOONER AND MUCH MORE HARSHLY. ALSO NOTED HAS BEEN BREAKING MEXICAN TRADITION

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PRESIDENT IMMUNE FROM DIRECT, PERSONAL ATTACK. LIKEWISE, IN SHORT TERM AT LEAST, PRESIDENTIAL PROSPECTS LUIS ECHEVERRIA AND ALFONSO CORDNA DEL ROSAL HAVE SUFFERED. FINALLY, ATMOSPHERE OF UNCERTAINTY AND APPREHENSION WILL PROBABLY CONTINUE EVEN AFTER STRIKE SETTLED.

7. EMB HAS NO DIRECT EVIDENCE THAT INVASION CZECHOSLOVAKIA HAS AFFECTED STUDENT MOVEMENT SIGNIFICANTLY BUT BELIEVES THAT EFFECT, IF ANY, WOULD BE TO WEAKEN EXTREMIST INFLUENCE AND STRENGTHEN MODERATES. FREEMAN

CONFIDENTIAL

DEPARTMENT OF STATE ASSISTANT SECRETARY

TO:

The Secretary

August 28, 1968

THROUGH:

s/s

FROM:

SUBJECT:

Covey T. Oliver

Mexico - Student Protests Continue - INFORMATION

MEMORANDUM

Another large peaceful student demonstration occurred in Mexico City during the night of August 27. Police and military forces had to be called in this morning after most of the demonstrators had left the area to evict a number of youths who were determined to camp out indefinitely in the central plaza. The use of force (even though there apparently were no injuries) will probably increase pressures for new demonstrations.

The demonstration was marked by vitriolic personal attacks on the President. The demonstrators, who were not opposed by security forces, even smeared the Presidential Palace with paint. The size and intensity of the protest is remarkable, particularly in view of the GOM's offer, last week, to negotiate with the students on their grievances.

Attention is now focused on September 1 when President Diaz Ordaz will make his annual "State of the Union" speech and is expected to deal with the student problem. The evidence thus far is that Diaz Ordaz has not distinguished himself in handling the student crisis. He apparently has: estimated the depth of student hostility toward the GOM; 2) overestimated the role played by alleged "Communist" agitators; and 3) failed to follow up on possible opportunities to settle the problem.

In conclusion, the GOM's tactic of letting the discontent run its course does not appear to be working and has left the initiative with the students. The prospects for an early settlement have diminished.

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Downgraded at 12-year intervals; not automatically declassified.

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CCO 00, AID 28, PC 04, SAH 02, NIC 01,/136 W

P 290047Z AUG.68 FM AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 7425

CONFIDENTIAL MEXICO 6757

SUBJECT: AUGUST 27 STUDENT DEMONSTRATION

REF: EMBTEL 6731

SUMMARY: POSSIBLY LARGEST STUDENT DEMONSTRATION YET WENT OFF PEACEFULLY STARTING 5 PM AUG. 27. ESTIMATED 45 THOUSAND STUDENTS MARCHED CHAPULTEPEC PARK VIA REFORMA TO ZOCALO WHERE OTHERS JOINED MAKING ESTIMATED TOTAL 100,000. MOST VIGOROUS VERBAL ASSAULTS YET ON GOVERNMENT AND PRESIDENT WITH USUAL EXCORIATION POLICE BRUTALITY, REPRESSION. RELEASE OF POLITICAL PRISONERS A DOMINANT THEME. ANTI-AMERICAN SHOUTS AS MARCHERS PASSED EMBASSY NOT DEEMED SERIOUS. DEMONSTRATORS LARGELY DISPERSED 10 PM BUT LAST GROUPS REQUIRED LIMITED POLICE, ARMY ACTION TO LEAVE ZOCALO ARE. NO SERIOUS INJURIED REPORTED.

1. AT 4 PM ABOUT HUNDRED UNAM MEDICAL FACULTY STUDENTS DRESSED WHITE WEARING ARM BANDS "COMMISSION OF ORDER" FORMED CORDON BETWEEN EMBASSY AND REFORMA WHICH REMAINED THROUGHOUT MARCH. FIRST MARCHERS APPEARED 5:40 CONTINUED UNTIL 7:35 PM. ORGANIZATION GOOD. DISCIPLINE TIGHT. SOME CONTINGENTS SURROUNDED BY ROPE CARRIED BY MARCHERS ON PERIPHERY.

2. OCCASIONAL ANTI-AMERICAN SHOUTS "YANKEES ASSASSINS," "FIDEL. FIDEL. THE AMERICANS CAN'T GET HIM." "VIETNAM SURE, GIVE THE YANKEES HELL," ETC. DID NOT SEEM SERIOUS SINCE USUALLY ACCOMPANIED BY SMILES FROM SHOUTERS AND BELIEVED OCCURRED ONLY WHEN MARCHERS PASSED EMBASSY





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PROBABLY NOT MORE THAN 5 PERCENT OF MARCHERS PASSING EMBASSY SHOUTED REMARKS CRITICAL OF US.

3. MANY PLACARDS WITH DOMINANT THEME OPPOSITION TO GOVERNMENT, POLICE BRUTALITY, VIOLATION CONSTITUTION AND FREEDOM PRISONERS. CRITICISM PRESIDENT REACHED NEW HEIGHTS SCATHING VULGARITY. SAMPLES: "GDO - SEPTEMBER 1 INFORME - HOW MANY DEAD?", " DEATH TO THE BAD GOVERNMENT OF DIAZ ORDAZ AND HIS ROTTEN CABINET", "BAD GOVERNMENT LASTS.

AS LONG AS PEOPLE PERMIT." "NOW-FIRE ALL OF GDO CABINET." "PARAFFIN TEST FOR EXTENDED HAND (OF THE PRESIDENT)." "GDO-GORILLA." ONE SIGN SHOWED PRESIDENT CARRYING COPY OF CONSTITUTION IN HIS HAND WHILE ENTERING BATHROOM. OTHER SIGNS CALLED FOR FALL OF FIDEL VELASOUEZ (CTM). OR COMPLAINED SIMPLY OF "HUNGER AND POVERTY." MOST FREQUENT SINGLE THEME WAS FREEDOM FOR POLITICAL PRISONERS, PARTICULARLY DEMETRIO VALLEJO (IMPRISONED 1959).

- 4. LEAFLETS SAID "PEOPLE HATE DIAZ ORDAZ," REITERATED SIX POINTS DEMANDED OF GOVERNMENT: (A) FREEDOM POLITICAL PRISONERS, (B) FIRING THREE POLICE CHIEFS RESPONSIBLE ALLEGED BRUTALITY, (C) DISBAND RIOT POLICE, (D) REPEAL ARTICLE 145 PENAL CODE (SOCIAL DISSOLUTION), (E) INDEMNITY FAMILIES SLAIN AND INJURED STUDENTS, (F) DEFINITION RESPONSIBILITIES OF POLICE, ARMY AND OTHER AUTHORITIES RESPONSIBLE FOR REPRESSION AND VANDALISM. LEAFLETS ALSO EXHORTED COOPERATION, SUPPORT OF PUBLIC, PARTICULARLY WORKERS.
- 5. SPEECHES AT ZOCALO CALLED FOR (A) CONTINUING PRESENCE THERE OF STUDENT "GUARD" UNTIL GOVERNMENT NEGOTIATES WITH STUDENTS AND (B) STUDENT

GOVERNMENT MEETING AT ZOCALO 10 AM SEPT. 1. WHICH COINCIDES TIME AND (ALMOST) PLACE ANNUAL PRESIDENTIAL "INFORME." THESE DEMANDS SEEMED CALCULATED EMBARRASS GOVERNMENT RATHER THAN SERIOUS PROPOSALS.

ALSO ENTERED CATHEDRAL, RANG BELLS, TURNED ON LIGHTS PREPARED FOR SEPT. 15 CELEBRATION, IGNITED FIREWORKS STORED FOR SAME OCCASION, RAN RED AND BLACK FLAG UP FLAGPOLE.

- 6. ABOUT 10 PM GROUP ESTIMATED 200 RETURNED TO EMBASSY WHERE THEY MET FORMIDABLE FORCE ARMORED CARS, SOLDIERS, POLICE. STUDENTS DEPARTED AFTER FEW SHOUTS.
- 7. ALTHOUGH MOST STUDENTS LONG GONE, POLICE AND ARMY COMPELLED





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DISPERSE FEW REMAINING AT ZOCALO (INCLUDING "STUDENT GUARD" PARA 5 ABOVE) AT 2:35 AM. POLICE AND SOLDIERS MOVED ONLY AFTER REPEATED LOUDSPEAKER WARNINGS TO DISPERSE. FEW BLOWS STRUCK BUT NO SERIOUS PAGE Ø3 INJURIES REPORTED. UNCONFIRMED REPORTS NEWS PHOTOGRAPHERS FILM

8. PRESS DISAPPROVED CALUMNIOUS COMMENTS PARTICULARLY RE PRESIDENT, DEPLORED BLACK-RED FLAG IN ZOCALD, ACCEPTED OR APPROVED USE POLICE, CONFISCATED.

9. CONCLUSION: NEITHER STUDENTS NOR GOVERNMENT WON VICTORY. STUDENTS STILL FAIL INVOLVE WORKERS OR OTHER SECTORS IN DEMONSTRATION. GOVERNS ARMY TO END DEMONSTRATIONS. MENT EFFORTS AND PASSAGE OF TIME NOT WEAKENING STUDENT REVOLVE.
STILL NO AGREED TIME, PLACE FOR STUDENT-GOVERNMENT "DIALOGUE."

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U.S. DEPARTMENT OF STATE

-DIRECTOR OF INTELLIGENCE AND RESEARCH

43

August 29, 1968

The Secretary

Through:

by h.c.d. ? From Thomas L. Hughes

Subject: Mexican President's Decision to use Force Against Students may

Exacerbate Differences

President Diaz Ordaz has had enough of student demonstrations and insults and has decided to use force to put down future disorders. The President was apparently stung by the scathing attack on his person and administration in the mammoth demonstration held on August 27. banners and placards called for the death of Diaz Ordaz and his cabinet and one sign showed the President entering the bathroom with a copy of the Mexican Constitution in hand. Poster attacks on the President's person, which are unprecedented, had appeared in one of the three other large protest demonstrations held since the bloody riots of 26 and 29 July but they were fewer in number and far less insulting.

The government believes that its use of force will create a difficult situation for the next few days and a number of clashes between students and security forces have already taken place. Some students have been severely wounded and possibly several killed. Tanks and armored vehicles have been employed to rout student groups and keep them dispersed in the narrow streets feeding into the main square in Mexico City.

President Diaz Ordaz's decision Diaz Ordaz probably felt rebuffed. to use force against the students was probably caused by his exasperation and a feeling that his tolerance and good will had been ignored. the 26 and 29 July riots the security forces have allowed the students to GROUP 1

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demonstrate and march without interference, probably in the belief that unrest and discontent would gradually diminish. Such restraint is unprecedented. The President may well feel that it was also unreciprocated and that students have taken advantage of his restraint to deliberately embarrass Mexico abroad.

Students also piqued. Students, for their part, seem convinced that the government has been unresponsive. They tend to view the peaceful and orderly nature of the demonstrations as evidence of responsible behavior and they publicly proclaim a readiness to negotiate. Most student leaders are probably sincerely interested in resolving their grievances against the government through negotiations.

At least some of the student demands do not appear to be excessive. Generally, the students are asking for a statement recognizing university autonomy, an investigation of police brutality in quelling student fights, freedom for persons arrested since the riots, and the dismissal of the Mexico City police chief. But the administration has been unwilling to accede to any demands probably because it is completely out of character for the government to allow any sector of Mexican society to challenge its authority. However, the government has offered to enter into a dialogue with student representatives and educators to investigate student charges but efforts to reach agreement on a site and personnel to be included have faltered.

Application of force will exacerbate differences. President Diaz Ordaz¹ decision to apply force against students and the renewed violence in Mexico City will dampen prospects for an amicable settlement within the immediate future. The government has the power and resources to deal

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effectively with almost any level of disorder the students choose to mount. But an overwhelming display of military might will undoubtedly frighten many students, and at the same time it will almost certainly generate a good deal of bitterness and anger within the student community. The President's decision also incurs the risk of broadening the conflict to include segments of several other sectors in the population. Press reports indicate that some slum dwellers have already joined students in new protests against the government. Thus, on the eve of the opening of Congress on September 1 and the President's state of the union address he faces a serious student rebellion and the spectre of continuing violence and bloodshed.



Department of State

TELEGRAM

CONFIDENTIAL 295

PAGE 0: MEXICO 06776 3001412

87 ACTION ARA 16

INFO AID 28,000 00, FBO 01, GPM 04, H 02, INR 07, L 03, NIC 01, NSC 70,0 02,

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P 300049Z AUG 68 FM AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 7434

CONFIDENTIAL MEXICO 6776

SUBJECT: CIVIL DISORDER - STUDENT ACTIVITIES

TONE OF PRINCIPAL PAPERS HAS CHANGED RADICALLY FROM MORE OR LESS OBJECTIVE REPORTING STUDENT ACTIVITIES TO BANNER HEAD-LINE DENOUNCING THEIR EXCESSES. PUBLIC SAFETY FORCES HAVE APPARENTLY BEEN GIVEN GREEN LIGHT TO USE FORCE TO BREAK UP MANIFESTATIONS. GOM IMPLICITY ACCEPTS CONSEQUENCE THAT THIS WILL PRODUCE CASUALTIES. LEADERS OF STUDENT AGITATION HAVE BEEN AND ARE BEING TAKEN INTO CUSTODY INCLUDING HEBERTO CASTILLO. IN OTHER WORDS, GOM OFFENSIVE AGAINST STUDENT DISORDER HAS OPENED ON PHYSICAL AND PSYCHOLOGICAL FRONTS.

2: PRIOR TO YESTERDAY IT SEEMED CLEAR THAT GOM WOULD WAIT UNTIL AFTER PRESIDENT'S SEPTEMBER I INFORME (ANNUAL REPORT) TO MOVE TO TERMINATE STUDENT AGITATION. VARIOUS REASONS MAY HAVE MOVED GOVERNMENT TO ADVANCE TIMING SUPRESSION STUDENTS: (A) AUG. 27 MARCH SHOWED EFFORTS GOM TO WEAKEN AND DIVIDE STUDENTS NOT SUCCEEDING.

(B! EXCESSES OF STUDENTS OR PSUEDO-STUDENTS IN EXTORTING "CONTRIBUTIONS," INTERFERRING TRAFFIC, SEIZING BUSES AND HARANGUING WORKERS MAY HAVE CONVINCED GOM LEADERS THAT PUBLIC SYMPATHY HAD VEERED AWAY FROM STUDENTS. CERTAINLY VULGAR, ABUSIVE PERSONAL ATTACKS ON DIAZ ORDAZ PASTED OR PRINTED ON WALLS THROUGHOUT CITY AND EXPRESSED IN PLACARDS OF MARCHERS HAVE





Department of State

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OFFENDED MANY MEXICANS, EVEN THOSE WHO DO NOT ADMIRE PRESIDENT, (C) TACTICAL ERROR OF STUDENTS IN RAISING BLACK AND RED FLAG IN ZOCALO AND OCCUPYING CATHEDRAL GAVE GOVERNMENT HIGHLY EXPLOITABLE EMOTIONAL ISSUES WHICH PRESS HAS BEEN PLAYING TO HILT AND, FINALLY (D: THREAT OF STRIKE LEADERS TO HOLD MASSIVE STUDENT DEMONSTRATION IN ZOCALO TO COINCIDE WITH PRESIDENT'S REPORT MAY HAVE CONVINCED GOM THAT SHOWDOWN WITH STUDENTS BETTER BEFORE THAN AT TIME OF INFORME:

3. NEWSPAPER CHRONOLOGY OF STUDENT-POLICE CLASHES OF AUG. 28, WHICH CONCURS GENERALLY WITH OTHER EMBASSY SOURCES, AS FOLLOWS: 10,40 PM WORKERS IMOSTLY GOVERNMENT EMPLOYEES, GATHER IN ZOCALO TO KEAR SPEECHES, REMOVE RED BLACK FLAG AND RESTORE MEXICAN FLAG. 2:15 WORKERS START DEPART. 2:35 STUDENT GROUPS ARRIVE "TO DISTURB PUBLIC ORDER" OTHER ACCOUNTS ALLEGE STUDENTS SOUGHT RETRIEVE RED BLACK FLAG, 2:40 POLICE LOUDSPEAKERS ASK EVERYONE LEAVE ZOCALO. WORKERS LEAVE BUT STUDENTS CONFRONT POLICE. 2:50 MACHINE GUN FIRE FROM UPPER STORY BUILDING BORDFRING ZOCALO DIRECTED AT ARMY AND POLICE: "ONE" POLICEMAN FIRES MACHINE GUN BURST "IN THE AIR" TO "REESTABLISH ORDER:" 2:55 POLICE SURROUND BUILDING, CAPTURE THREE PERSONS, ONE DRESSED TOTALLY IN RED AND CARRYING MACHINE GUN. 3:30 IN FORTY MINUTE ACTION POLICES ARMY CLEAR ZOCALOS EMBASSY REPORTS INDICATE CONSIDERABLE VIOLENCE, GUNSHOTS, BUT NO CONFIRMED DEATHS. 4:10 STUDENTS REPORTEDLY ENTERED TV STATION. DEMANDED TRANSMISSION PICTURES WOUNDED STUDENTS. BROKEN UP 30 MINUTES LATER BY POLICE: 4:40 GROUPS OF INDIVIOUALS CAPTURE BUSES AND STUDENT LEADER ASK GROUPS TO PROCEED TO UNIVERSITY WHERE ARMS BE PASSED OUT TO PERMIT CONFRONTATION WITH POLICE AND ARMY. GATHERING BROKEN UP P! POLICE. 5:00 PM TRAFFIC THROUGH ZOCALO AGAIN NORMAL. 6:00 GROUP STUDENTS APPROACH NEWSMEN TO INFORM THEM OF SIX STUDENTS NOUNDED BY ARMY VEHICLES. STUDENTS REPORTEDLY AVOID TREATMENT AT PUBLIC HEALTH STATIONS DUE FEAR OF ARREST. GO INSTEAD TO FACULTY OF MEDICINE: 6:40 ABOUT 500 STUDENTS BLOCK OFF DOWNTOWN STREET, PROHIBIT PASSAGE FERSONS AND VEHICLES, BROKEN UP BY POLICE, 7:00 ABOUT FIVE THOUSAND STUDENTS GATHER DOWNTOWN STREET TO MARCH ON JAIL. DEMAND IMMEDIATE RELEASE DEMETRIO VALLEJO: HEAVY RAÎN BROKE IT UP EXCEPT FOR SOME 500 WHO STAYED AND STARTED DETAIN BUSES TO IMPEDE TRAFFIC. BROKEN UP BY POLICE: 8:00 PM ANOTHER GROUP STUDENTS SEEK BLOCK TRAFFIC DOWNTOWN STREET, BROKEN UP BY POLICE WHO USED GRENADE. 8:50 POLICE ANNOUNCED ORDER RESTORED THROUGHOUT DOWNTOWN AREA

40 NO REPORTS ANY CLASHES STUDENTS SECURITY FORCES AUG. 29



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AS OF TIME THIS REPORT 6:00 PM.

5. REPORTS TO EMBASSY INDICATE STUDENT GROUPS MEETING VARIOUS PLACES TO PLAN STRATEGY AND ORGANIZE SUNDAY DEMONSTRATION.

6. RUMORE RIFE IN CITY. GASOLINE STATIONS RUMORED SHORT SUPPLY CAUSING LONG LINES CARS AT STATIONS. UNCONFIRMED RUMOR CIRCULATING BREAD STORES PLANNING CLOSURE. SOME NERVOUSNESS AND UNCERTAINTY NOTED BUT CITY ACTIVITIES NORMAL. FREEMAN



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R Ø61955Z SEPT 68 FM AMEMBASSY MEXICO

REF: DEPT'S 230776, AUGUST 31, 1968

1. ANY ASSESSMENT FUTUEFOR ON OLYMPIC COMPANDED 1. ANY ASSESSMENT FUTURE COURSE STUDENT DISTURBANCES AND IMPACT ON OLYMPIC GAMES MUST NOW BEGIN WITH DIAZ ORDAZ FORCEFUL STATEMENT IN INFORME SEPTEMBER T THAT GOVERNMENT WILL TAKE ALL ACTIONS NECESSARY TO

UPHOLD JURIDICAL ORDER AND PREVENT DISBUPTIONS TO NATIONAL LIFE. WITH RESPECT SPECIFICALLY TO OLYMPICS, AND IN MORE GENERAL SENSE, PRESIDENT

HAS PUT NATIONAL HONOR AND THE PRESTIGE OF THE PRESIDENCY ON THE LINE.

HE HAS STRONG PUBLIC BACKING EXCEPT FOR IMPORTANT SECTORS OF ACADEMIC COMMUNITY FOR HIS POSITION AND WE ESTIMATE THAT HEI HAS EFFECTIVELY BLOCKED SIGNIFICANT SUPPORT FOR STUDENTS FROM OTHER SECTORS.

2. INFORME STATEMENT ON STUDENT PROBLEM PROVIDES BOTH A GRACEFUL OUT FOR STUDENTS AND A FIRM WARNING THAT CONTINUED AGITATION WILL BE SUPE PRESSED. THERELIS NO INDICATION OF DISSENT FROM THIS POLICY WITHIN GOM. OR FROM INFLUENTIAL SPOKESMEN OUTSIDE. NOR IS THERE INDICATIONS. OR EX-PECTATION. THAT THE GOVERNMENT WILL GO FURTHER IN MEETING STUDENT DER MANDS THAN DID THE PRESIDENT IN THE INFORME.

3. INITIAL STUDENT RESPONSE TO THE INFORME. AS VOICED BY THE CONSEJO NACIONAL DE HUELGA (CNH) IS NOT FAVORABLE TO A QUICK SETTLEMENT. (SEE EMBTEL 6830 OF SEPTEMBER 3.) HOWEVER WE BELIEVE, ON THE BASIS OF CAS AND NEWSPAPER REPORTS. THAT THE EXTREMIST LEADERS OF THE CNH! ARE

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Department of State

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PAGE 02 MEXICO 06878 062137Z

FACED WITH INCREASING INTERNAL DISSENT AND WILL HAVE TO AGREE TO TALK WITH THE GOVERNMENT ON ITS TERMS OR LOSE THEIR SUPREME POSITION AS SPOKESMEN. THIS IS, OF COURSE, THE GOVERNMENT'S HOPE, AND EVERY EFFORT WILL BE MADE IN THE NEXT FEW DAYS TO LOCATE, AND DEVELOP IF NECESSARY, A VIABLE MODERATE LEADERSHIP GROUP. WHILE SITUATION STILL UNCERTAIN,

EMB BELIEVES LEVEL OF STUDENT AGITATION WILL RAPIDLY DECLINE.

4. THIS RELATIVELY OPTIMISTIC OUTLOOK FOR QUICK DISSOLUTION OF THE CNH

AND ITS POWER TO ORGANIZE LARGE SCALE DEMONSTRATIONS MUST BE TEMPERED BY THE OBVIOUS FACT THAT MANY OF THE LEADERS ARE MORE INTERESTED IN PROVOKING UNREST AND IN INVOKING POLICE MEASURES THAN IN RESOLVING SUB-

STANTIVE ISSUES. THE GOM THUS FACES A MINOR DILEMMA IN ITS USE OF FORCE: BUT WE SEE NO QUESTION AS TO WHICH WAY IT WILL MOVE IF STUDENT OBDURACY CONTINUES.

5. EMBASSY CAN GIVE NO CLEAR ANALYSIS AT THIS TIME OF DOMINANT ELEMENTS

AND IDEOLOGIES WITHIN CNH. COMMUNISTS HAVE DOUTLESS ATTEMPTED TO IN-FLUENCE AND MANIPULATE MOVEMENT AND SEVERAL POINTS: IN STUDENT DEMANDS: HAVE BEEN COMMUNIST SLOGANS FOR YEARS: BUT PCM ITSELF. WHICH IS SUBJECT

TO GOM COERCIVE MEASURES, HAS MAINTAINED WARY AND UNCOMMITTED PUBLIC POSITION. MORE SERIOUS IN OUR VIEW IS EVIDENCE OF NEW LEFT ATTITUDES,

AND SIMILARITIES BETWEEN MEXICAN STUDENT ACTIONS AND THOSE ELSEWHERE IN WORLD EARLIER THIS YEAR. THIS ELEMENT HAS LESS TO LOSE, IF NOT MORE TO

GAIN, BY KEEPING THE POT BOILING. AND IT IS OUR VIEW THAT UNPRECEDENTED

ATTACKS ON PRESIDENT HIMSELF CAN MORE REASONABLY BE CREDITED TO THIS SOURCE THAN TO ANY OTHER. SUCH INCIDENTS WERE ISOLATED AND LIMITED. WE

STILL FIND NO EVIDENCE OF SIGNIFICANT SUPPORT OF STUDENTS BY LABOR OR ANY OTHER MASS SECTION OF POPULATION. WHILE THERE WERE SOME REPORTS OF

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HECKLING OF TROOPS IN SLUM AREAS. WE HAVE SEEN NO EVIDENCE OF SIGNIFICANT ACTIVE SUPPORT OF STUDENTS BY SLUM DWELLERS.

6. WITH RESPECT TO PARA 3 DEPTEL WE ARE INCLINED TO AGREE THAT GOVERN'S MENT MISJUDGED STRENGTH OF STUDENT DETERMINATION AND ORGANIZATION.

HOWEVER, GIVING STUDENTS A FREE HAND HAS BEEN AN EARLY PHASE OF GOVERNA

MENT'S USUAL PROCEDURE FOR DEALING WITH SERIOUS STUDENT DISORDERS (E.G. MORELIA AND HERMOSILLO). WHILE GOVERNMENT DOUBTLESS HOPED THAT PERIOD OF PERMISSIVENESS, COUPLED WITH END OF TERM AND EXAMINATIONS, WOULD PRODUCE EARLY RESOLUTION PROBLEM. THERE WERE OTHER REASONS FOR IT: 1) IT PERMITTED GOVERNMENT TO CREATE A PUBLIC IMAGE OF EXTREME RESTRAINT AND TOLERANCE IN DEALING WITH STUDENTS, AND 2) IT PROVIDED OPPORTUNITY FOR STUDENTS AND PSUEDO STUDENTS TO MOVE TO GREATER AND GREATER EXCESSES IN COMMUNITY AND TO CREATE IMAGE OF INCREASING INTRANSIGENCES OBJECT OF MANEUVER WAS TO SWING PUBLIC SYMPATHY AWAY FROM STUDENTS AND

GOVERNMENT, WHICH WAS ESSENTIAL FOR GOVERNMENT TO MOVE VIGOROUSLY INTO REPRESSION OF STUDENTS. DEPT WILL HAVE NOTED FROM EMB'S REPORTING THAT DURING PERIOD END JULY UNTIL AUGUST 28 (PERMISSIVE PERIOD), GOVERNMENT REITERATED VARIOUS OFFERS TO MEET WITH STUDENTS, CAREFULLY REFRAINED FROM USE OF FORCE AND TOLERATED EXTREMES OF ABUSE AND INCITEMENT TO INSURRECTION WHILE STUDENTS BECAME INCREASINGLY STRIDENT IN DEMANDS AND INCREASINGLY DISRUPTED NORMAL LIFE OF CITIZENS. NET RESULT WAS THAT WHEN GOVERNMENT USED FORCE VIGOROUSLY BEGINNING LATE NIGHT AUGUST 27. AND THROUGHOUT REST OF WEEK, PUBLIC OPINION WAS ON SIDE OF GOVERNMENT.

EMBASSY CONCLUDES THAT PERMISSIVE PERIOD WAS DELIBERATE TACTIC OF GOVERNMENT SKILLFULLY USED TO ENSURE PUBLIC CLIMATE OF SUPPORT FOR ULTIMATE USE OF FORCE IF THIS BECAME NECESSARY. DANGER OF SUCH TACTIC LIES IN FACT MEXICANS EXPECT PRESIDENT ABOVE ALL TO BE STRONG DECISIVE

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PERSONALITY AND, IF PERMISSIVE PERIOD EXTENDED TOO LONG, GENERAL BUBLIC MIGHT CONCLUDE PRESIDENT LACKS MEANS OR COURAGE TO DEAL WITH STUDENTS.

ENSUING LOSS OF RESPECT FOR PRESIDENT WOULD, WITHIN MEXICAN POLITICAL SYSTEM, CREATE GRAVE DANGERS. SHREWD POLITICAL JUDGMENT IS NEEDED, THEN TO DECIDE WHEN POLICY OF PERMISSIVENESS HAS REACHED POINT OF MAXIMUM RETURN IN TERMS OF GAINING PUBLIC SYMPATHY WITHOUT CARRYING IT TO POINT IT UNDERMINES RESPECT FOR PRESIDENT. IT IS POSSIBLE THAT THIS ELEMENT, IN ADDITION TO THOSE CITED IN EMBTEL 6776 OF AUGUST 28 MAY HAVE INTELLENCED GOVERNMENT DECISION TO ADVANCE DATE OF CRACKDOWN ON STUDENTS.

7. WITH RESPECT TO FURTHER QUESTIONS PARA 3 REFTELL EMB BELIEVES THAT INFORME MIX OF "CONCESSIONS" TO STUDENTS AND FIRM STATEMENT DETERMINA-TION USE WHATEVER FORCE NECESSARY TO MAINTAIN LAW AND ORDER IS WISEST POLICY GOVERNMENT COULD FOLLOW BOTH TO PUT END TO IMMEDIATE PROBLEM STUDENT

AGITATION AND LONGER TERM PROBLEMS AVOIDING STUDENT BITTERNESS. THE MORE RADICAL LEADERS OF THE PRESENT MOVEMENT ARE NOT GOING TO DISAPPEAR FROM THE MEXICAN SCENE, BUT WE ESTIMATE THEIR ABILITY TO CAUSE SERIOUS DISRUPTION AT THE OLYMPICS LIMITED. THERE IS NO SUGGESTION AS YET OF ANY MOVES, GROWING OUT OF STUDENT PROTEST, THAT MIGHT EFFECT U.S.

PARTICIPATION - ORGANIZING ASSEMBLY FOR NEW YOUTH ORIENTATED PARTY ANNOUNCED LATE AUGUST, MAY STILL TAKE PLACE, BUT THERE HAS BEEN NO FURTHER PRESS COMMENT AND THE MATTER IS GENERALLY DISMISSED LIGHTLY FREEMAN

SECRET

THE WHITE HOUSE WASHINGTON

Monday, Sept. 18, 1967 5:00 p.m.

MR. PRESIDENT:

This report on Castro's soon permitting the return of Americans from Cuba -- and his alleged reasons for delay (p. 3) -- may interest you.

SECRET EYES ONLY attachment

DEPARTMENT OF STATE

ADMINISTRATOR

Bureau of Security and Consular Affairs

Affairs Wild McCastore September 15, 1967 59a

YES ONLY LIMIT DISTRIBUTION

MEMORANDUM TO:

The Secretary

The Under Secretary O - Mr. Idar Rimestad

- 5/1 BKR

FROM:

SCA - Barbara M. Watson

SUBJECT:

14)

Repatriation of American Citizens now being held in Cuba INFORMATION

MEMORANDUM

I have received word on a very confidential basis that those American citizens who have been held in Cuba can in the near future be expected to receive Castro's permission to return to

the United States via Mexico.

Last March when was in the Department briefing us regarding his Hanoi trip and asking validation of his passport for travel to Cuba on another assign-I outlined to him the difficulties we were encountering in effecting the repatriation of U.S. surprised to hear this for when he was last in Cuba he had discussed this many than the was last in Cuba he citizens who desire to leave Cuba. 1 had discussed this matter with Castro and had been given to understand that no impediment had been interposed preventing the departure from Cuba of U.S. citizens. was not aware that since last December when we were successful in securing the exit of 169 U.S. nationals and their Cuban family members through the mediation of the Mexicans, our efforts to repatriate the remaining

SANITIZED E.O. 12958, Sec. 3.6 NLJ 95-362 By ... , NARA Date 8-31-96

U.S. nationals and their relatives, numbering approximately 3,000, have been singularly unsuccessful. The unresponsiveness of the Cuban Government has even given rise to speculation that Castro might have in mind holding them as hostages.

I appealed to knowing his close and friendly relationship with Castro--to attempt to find out just why our efforts to return those U.S. citizens still residing in Cuba have been so unavailing. agreed to carry out the request, feeling that to do so was his duty as an American citizen even though, as he noted, he strives to maintain a neutrality in such matters so that his effectiveness as an independent, objective reporter may not be jeopardized.

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thas now returned from Cuba and has informed me that he did talk with Castro about this problem and that Castro stated that all American citizens will be permitted to depart Cuba. (My conversation with took place by telephone but, because of our mutual understanding of the persons and the problems involved, we agreed to carry on this conversation in indirect terms; names of persons and places were not mentioned.)

According to Castro stated that he had agreed to the principle of the evacuation of the U.S. citizens via Mexico. It was Castro's expectation last December that the two planeloads of American citizens and their Cuban relatives which were then permitted to leave Cuba would be only the first of many which would leave on a regular and more or less routine basis until all U.S. nationals, who so desired, were evacuated. Castro, in giving the reasons why the Cuban Government has not been responsive to Mexican and Swiss efforts to repatriate American citizens, referred to several incidents and circumstances which combined to provoke the Cuban Government so as to bring about the cessation of the evacuation.

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One was the harassment of Cuban athletes participating in the Olympic games held in Puerto Rico last summer. The athletes were not permitted to remain overnight ashore, were forced to sleep on the boats and were harassed in other ways; all of which enraged the Cubans. For another, it appears that Swiss efforts to bring about the return to the United States of U.S. nationals and their Cuban relatives were if anything, counterproductive. Castro told that former Swiss Ambassador Stadelhofer made a number of mistakes and, seemingly, his biggest was his trying to enhance his own reputation by seeking credit for resolving this problem of repatriating U.S. citizens. Castro, reportedly, refused to deal with Stadelhofer or even his successor on this subject.

Castro indicated to character and conduct of whom he referred to as a "bad sort," was probably the primary reason for the stoppage of the airlifts of U.S. nationals. was, reportedly, found to be selling departure permits and was also said to be indulging in black-marketeering. When Castro learned of this, he refused to have anything to do with a result, his effectiveness on behalf of his own government and ours was terminated. The Cubans, reportedly, pressured the Mexican Government into replacing him and, as we now know, he has been replaced by Ambassador said that Castro is impressed with the new Ambassador, considers him to be an intelligent and honest strong impression that Castro It is \ not only has no desire to keep American citizens in Cuba but is actually anxious to see them leave. Castro told him that he expects that through the good offices of the new Mexican Ambassador repatriation of all American citizens who wish to leave Cuba will be accomplished.

indicated he had additional information which may be of interest to us but which he preferred not to discuss on the telephone. I plan to see him in New York next week.

Copy to: ARA - Mr. Oliver

FCA:BNWatson:jm

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DEPARTMENT OF STATE
Assistant Secretary

September 20, 1968

TO:

The Secretary

THROUGH:

s/s 61-

FROM:

ARA Covey T. Oliver

SUBJECT:

Mexico - Prospects following Occupation of the National University - INFORMATION MEMORANDUM

The Mexican Government, in occupying the National University, has now committed itself to coercion as its method of ending the two-month long student disorders. The next week should reveal whether or not the majority of students have the will to continue their opposition in the face of the Government's declared policy.

At this point, we see the following as likely developments flowing from the GOM decision:

- 1. The GOM will continue to take a hard line against the students and will occupy other educational facilities as necessary.
- 2. The Olympic Games will be held, although marred by sporadic violence.
- 3. Students are not likely to attract significant support from other important sectors and will not threaten the stability of the Government in the short run.
- 4. The prestige of Diaz Ordaz' regime has been damaged both because of its initial vacillation in handling the students and because of its violation of university autonomy.

ARA/MEX:MYohn: Mchaplin, Ext. 5203, 9/20/68

GROUP 3

Downgraded at 12-year intervals; not automatically declassified.

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AMERICAN EMBASSY

MEXICO, D. F.

MOLASSFED

Memorandum of Conversation

DATE: September 23, 1968

SUBJECT:

George Denney's Conversation with Victor Urquidi

R

PARTICIPANTS:

Victor Urquidi, Rector of Colegio de Mexico

George Denney, Deputy Director of INR

Morris Rothenberg, First Secretary of Embassy

COPIES TO:

INR, ARA/MEX, PR, CBD, CRU

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- 1. A two hour lunch with Dr. Victor Urquidi, Rector of the elite Colegio de Mexico, covered principally the youth question and Dr. Urquidi's decidedly strong views on the government's handling of the situation. Dr. Urquidi was sharply critical of the government and President Diaz Ordaz for having ordered army seizure of the National University (UNAM). He described the reaction of his own institution as one of complete opposition to the government. He said that the participation of his organization in the student strike had been little and late, mostly taking the form of offers to help out if requested by the National Strike Committee (CNH) or joining the various marches. The Colegio had two students on the CNH (both of whom were at the university when the army took over) and two faculty members who served only as observers on the Coalicion de Maestros, refusing full participation in the latter body because they had some doubts about its composition.
- 2. Very much on Urquidi's mind was the machinegunning of the Colegio by unknown assailants at 3 a.m. on September 20. No one had been hurt although the building's watchman escaped only by luck. More than 100 bullet holes were found afterwards on the premises including two holes through Urquidi's chair in his office. Urquidi attributed the act to the extreme rightwing student organization MURO which he felt had the tacit cooperation if not the active encouragement of the police, the army, or other elements within the government. He saw as the major motive for the action a desire to frighten and punish the Colegio for its participation in the student movement, small as it had been.
- 3. Dr. Urquidi was also quite bitter about police attitudes toward the bombing of his institution as well as about the police and judicial system as a whole. He thought the police should have left guards at the <u>Colegio</u> after the bombing but they refused to do so. And in fact, he has hired private detectives both as guards and to investigate the incident. He speculated that if it had been leftist extremists

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who had bombed the <u>Colegio</u>, investigation would have been rapid and effective but was skeptical that those responsible for bombing the <u>Colegio</u> as well as a number of secondary schools would be apprehended. In general, he painted a completely black picture of the police system as completely corrupt. No one would go to the police unless he absolutely had to; the openness of bribery illustrated the low estate of the system as well as the low equality of those who went into it.

- In a more general discussion of the reasons for student unrest, Dr. Urquidi made the following points. One source of dissatisfaction is the low standard of the educational system. But another substantial group of students oppose any effort to improve the system since they want an easy road to a degree. This latter group is often at the head of demonstrations against teachers who they consider too hard. Dr. Urquidi acknowledged that in the current situation, extremist groups had influenced the students, noting for example that initial student demands had been linked specifically to the events of late July but that subsequently political demands had been added to these. At the same time, he saw the willingness of students to respond to the political demands as part of an underlying cynicism that underlay student attitudes to the Mexican political system. He noted that even secondary students had traveled considerably throughout Mexico (something which had not been the case when Urquidi himself went to school. They could see, he said, the extent of poverty in Mexico, the iniquities of the tax system and therefore had come to the conclusion that the Mexican Revolution, and official claims for it, was a lie. Students were aware of government control of the communications media and this only reinforced the feeling that the system was replete with hypocrisy..
- 5. Another underlying factor mentioned by Dr. Urquidi was the extremely rapid growth in the number of students. He noted, for example, that there is a 17 percent annual growth of secondary schools. What has happened, then, is a heavy influx of poorly educated, immature students into the system which together with the above mentioned factors creates the soil for student irresponsibility and unrest. Dr. Urquidi felt investment in higher education was weefully inadequate.

Embassy Comment:

The most striking aspect of Dr. Urquidi's remarks was his willingness to air his bitterness especially against the President before a visitor whom he was meeting only for the first time. Dr. Urquidi in the past has been critical of certain aspects of Mexican developments but has seen his role as one of alerting the authorities to potential dangers and suggesting possible remedies. He has been very much interested in the possibilities of birth control (noting also on this occasion government sensitivity about getting involved) and tax reform (about which he expounded at length). At the same time, he has always put his criticism into a brighter context and did also during the present conversation stress that Mexican economic development was proceeding extremely well. However, it was obvious that the university situation was uppermost on his mind, and his own attitude clearly reflects a mood which currently is gripping the entire academic community.

Cleared with Mr. Denney (in draft) POL:MRothenberg:sd



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AGR	CÓM		ARATIM
AGA	COM	FRB	FROM : American Consulate MERIDA DATE: September 23,1968
INT	LAB	TAR	SUBJECT: PRI Tries to Buy Out the PAN Municipal GOMERNMENT OF STATE
			BUREAU OF
TR	ХМВ	S AIR	REF : INTER-AMERICAN AFFAIRS
ARMY	CIA	NAVY	
3	20	3	In recent weeks there has been a wave of resignations
OSD	USIA	NSA	from the Partido Acción Nacional. The enclosed article
34	10	3	from the Sept. 18 issue of the pro-PAN Diario de Yucatan-
_		NSC	reports a conversation allegedly overheard in a midtown
,			cafe to the effect that PRI Deputy Dr. Alfonso BARRERA Vasquez was paying 60,000 pesos to PAN <u>regidores</u> (city
			councilmen) to resign, along with promises to give city
			jobs to their indigent reglatives. Various minor PAN
			notables throughout the state resigned noisily in large
Cri	1		paid advertisements in Novedades de Yucatan (increasingly
10 60			subsidized in this manner by the PRI as a counterweight to the PAN <u>Diario de Yucatan</u>). An important defector was
으		_	Vicente ROMERO C., president of the PAN municipal commit-
æ	ğ	ē	tee in Tekax (See enclosure). The most important, however,
	ď	P	was Q.F. Eduardo TRUEBA Barrera, a regidor of Mérida
or ·	COPYF! 6_000	:	Trueba had cagily asked for a prolonged leave of
SS DEC	á	:	absence in a letter dated September 4. According to
<u>83</u>	_		another letter published in the Diario de Yucatan on
ř.			September 20 and signed by the other six regidores,
			Trueba had written another letter canceling his request for a leave of absence, but meanwhile the other <u>regidores</u>
			had discovered his dealings with the opposition and fited
			him. Trueba countered in a letter published in Novedades
			de Yucatan attributing his falling out with the mayor
			to the latter's failure to live up to election promises.
			According to a consulate informant who is in the
			inner circle of the PAN, the resignations are part of
			FORM DS-323 CONFIDENTIAL FOR DEPT. USE ONLY Out
Drafted	by:		(Contents and Classification Approved by: // // //
			W.N. Harben W.N. Harben, P.O.
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By was Date 3/26/62

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plan of Governor Luis Torres Mesias to save his demolished political career by regaining Merida for the PRI, thus redeeming himself in the eyes of Mexico City. If four out of seven regidores could be induced to resign, the constitution would permit the governor to name a commission PRI, of course to rule the city.

Trueba was offered 75,000 pesos, according to the informant. The ex-cordage worker Porfirio PAMMA was offered 25,000 pesos and 7500 pesos a month for the remainder of his term, Hector BOLIO Pinzón was offered 50,000 and various favors. Milton CANTO, being a millionaire, was more or less unbribable, but is involved in a lawsuit involving several million pesos. He was promised a decision in his favor if he would resign.

Palma, Bolio, and Canto replied that would "think it over", but reported the approaches to the other members of the municipal council. The informant had high praise for Palma, a poor man to whom the proferred sums were immense. When the informant doubted that the scheme had the approval of the PRI in Mexico City, and he also doubted that any disorders would have resulted had the governor been able to carry out the plan. The people would have been so depressed by the wenality of the PAN that they would have been able to do no more than shrug.

HARREN

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Info:

ACTION:

Amembassy MEXICO IMMEDIATE

STATE

- Continuing and relatively high level disorders in Mexico create requirements for more frequent Embassy assessments of situation as Olympics approach. SITREPS with whatever analytical comment possible should be submitted priority daily as of 1800 local time until further notice.
- Basis reporting to date, Dept concludes GOM virtually committed to forceful showdown with student militants. Compromise GOM solution with students becoming increasingly difficult, partly because position Barros Sierra, partly because student leadership fragmenting with extremists increasing their influence.
- Dept needs additional information on student leadership, recent and emerging. Mexico 7654 reported Strike Committee (CNH) losing degree of control it exercised over demonstrations prior to September 18 intervention at UNAM. If this trend confirmed by subsequent events, what groups now organizing

5203 ARA/MEX: MYohn: MChaplin: md 9/24/68

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leading demonstrations and clashes with police? Are various groups coordinating their activities or are they acting independently? If latter is case, what are prospects for continuing high level violence and for resumption dialogue with GOM? Is idea 72 hour truce mentioned HMM 11,838 still alive?

4. Request closer focus on implications disorders for Olympics. Dept receiving growing number public inquiries on this aspect and anticipates press requests for Dept's views. What are Embassy's current estimates GOM capability prevent extremist disruption Olympic Village, sports events, other Olympic facilities? Any indications attempts to rally Olympic athletes participate in or endorse protests? What is current assessment GOM capability and resolve to reduce student violence to minimum prior to Olympics? What is impact of disorders on other country participation in Olympics?

End

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FORM DS-322A 8-63 DS-322A CONTINUATION SHEET



Department of State TELEGRAM YR Pel 23-8 month

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PAGE 01 MEXICO 07199 260108Z

91 ACTION ARA 16

INFO CU 04, AID 28, CCO 00, FBD 01, GPM 04, H 02, INR 07, L 03, NIC 01, NSC

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SY 03,SCS 04,CIAE 00,NSAE 00,DODE 00,USIA 12,RSR 01,/144 W

P 260037Z SEP 68 FM AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 7690

COON FIDE NIT I A LIMEXICO 7199

SITREP 1800 SEPTEMBER 25

I PAST 24 HOURS MARKED BY DISPERSED INCIDENTS OF VIOLENCE AS STUDENTS SEEM TO HAVE BROKEN UP INTO SMALL BANDS. BUSES BURNED, GUNSHOTS FIRED AND AT LEAST ONE STUDENT REPORTED KILLED. ARMY SENT TO ANTHROPOLOGY MUSEUM WHEN GOVERNMENT RECEIVED REPORTS THAT STUDENTS. INTENDED TO GATHER THERE BUT NOTHING EVIDENTLY TOOK PLACE. IMPOSSIBLE TO ESTIMATE EXTENT OF THEIR PARTICIPATION. GOVERNMENT HAS DETAILED FIVE OF WHAT IT CONSIDERS TOP TEN OF CHH LEADERSHIP; BALANCE STILL IN HIDING. REPORTS RECEIVED OF SUPPORT FOR CAPITAL STUDE IS BY MEANS OF SYMPATHY STRIKES, ETC. COMING FROM VARIOUS STATES, INCLUDING GUERRERO AND NUEVO LEON, NONE INVOLVING VIOLENCE.

2. ALL IPN BUILDINGS: OCCUPIED BY ARMY BEING TURNED OVER TO ADMINISTRATIVE OFFICIALS: OF SECRETARY OF EDUCATION. UNAM FACILITIES REMAIN ONLY ONES: STILL OCCUPIED BY ARMY. 43RD INFANTRY BATTALION FROM TOLUCA TOOK PART IN FIGHTING ON NIGHT SEPTEMBER 21 WHICH MARKS. FIRST USELOF TROOPS: FROM: OUTSIDE! D.F.

RECTOR BARROS: SIERRA CONTINUES TO ENJOY VERY STRONG SUPPORT OF STUDENTS PROFESSORS AND UNIVERSITY WORKERS AND INTELLECTUAL COMMUNITY UNAM GOVERNING COUNCIL REPORTED TO BE MEETING LATE AFTERNOON SEPTEMBER 25 TO CONSIDER HIS RESIGNATION.

4. SITUATION IN CITY IS BUSINESS AS USUAL AS OF 1830 HOURS SEPTEMBER 25. GOM STATES IT HAS SITUATION UNDER CONTROL.

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PAGE 02 MEXICO 07199 260108Z

CONSIDERABLE ADDED POLICE PROTECTION ARRIVED IN FRONT OF EMBASSY AT ABOUT 1820.

5. EMBASSY REPLY FORTHCOMING TO DEPTEL 244518 SEPT. 23. WITH SITREP ON SEPTEMBER 26. FREEMAN

U.S. DEPARTMENT OF STATE

DIRECTOR OF INTELLIGENCE AND RESEARCH

CONFIDENTIAL/NO FOREIGN DISSEM STATE

Note - 756

September 26, 1968

To

The Secretary

Through:

S/S

From

INR - Thomas L. Hughes

Subject: Mexican Government's Use of Force Probably Forecloses the Possibility of a

Compromise Solution to the Student Conflict

The student/government conflict, which has grown in intensity and ferocity, appears to have reached the point where compromise solutions acceptable to both sides are no longer possible. The use of force to put down the disturbances will probably suceed in the long run, but it will generate a degree of bitterness in the student sector and the administration which will affect relations for the remainder of Diaz Ordaz' presidency.

Options rapidly diminishing. The government's determination to use all the force necessary, including street fighting, to put an end to student unrest, seems to indicate that the authorities have abandoned hope of resolving the matter through any form of negotiations. Student extremists numbering perhaps several thousand are therefore faced with the difficult decision of either fighting on against overwhelming fire power or giving up and disappearing. Presumably reason will ultimately prevail, but it is at least conceivable that an undetermined number may be galvanized into resisting until they are killed or immobilized by injuries and tear gas grenades. The government may still seek to offer some concessions to students not involved in the violence, but the $\overline{\mathcal{R}}$ estimated 15 student deaths has probably foreclosed any possibility of an early truce which could be acceptable to both sides.

Government's assessment of utility of force. The use of force as the primary tactic is logical in the Mexican context and probably stems from a government assessment or hope that the violence will be short-lived and the capital returned to near normalcy

fhis report was product of Intelligence and Research. On the Intelligence and Research. On the rom normal substantive exchange with the agencies at the working level that not been coordinated elsewhere. This report was produced by the Bureau

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GROUP 1 Excluded from automatic downgrading and declassification

before the October 12 opening of the Olympic Games. Force is a time-honored method of dealing with student disturbances in the country, particularly outside Mexico City, and it has been used successfully numerous times. Students have traditionally given up and returned to their classes once the government made it unmistakably clear that it would not tolerate further agitation and violence. Hence the authorities probably assume that there is no reason why the tactic should not work in this instance. There is, however, a growing body of evidence that the government badly miscalculated the extent and depth of student sentiment, almost from the beginning.

Growing evidence of government's miscalculation. Perhaps the tragedy of the affair Diaz Ordaz administration, which is a good government by Latin American is that the standards, might have pacified the student community six or seven weeks ago, i.e., shortly after the bloody riots of 26 and 30 July, by partially agreeing to some student demands. A decision by the president in mid-August to allow a dialogue between student leaders and government officials could have cut the ground from the militant agitators and permitted the moderates to argue that Diaz Ordaz was not unmindful of student problems, particularly the matter of police interference in student intramural squabbles. The Minister of Government did offer to set up an investigating committee to examine charges, but the proposal was never fully accepted by the student leaders, possibly because the offer was merely to investigate and contained no indication that the government was prepared to recognize that police brutality was a problem. Several days after the investigating committee proposal was made public the students staged a giant demonstration in which sharp criticism was focused for the first time on the President's person. This criticism reached unprecedented heights of scathing vulgarity on August 27 when student poster attacks openly called for an end to the Diaz Ordaz government.

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Outlook. The students almost certainly cannot win. The government has ample force to contain the control violence and the security forces can gradually isolate and wear down the extremists who choose to fight on. The military and police will almost surely attempt to keep student deaths at a minimum, but at the same time they will also continue to apply whatever fire power is necessary to stamp out violence. The next 48 to 72 hours will probably see a gradual slackening off of the pitched battles and student sniper attacks with the extremists withdrawing and going into hiding when possible. There probably are limits, however, beyond which the government will not wish to go at a time when the upcoming Olympics are focusing much attention on Mexico. A continuation of the bloody fighting for the next several days with additional student casualties could generate a wave of revulsion, and its conceivable that some student athletes from various foreign countries might refuse to participate in the Olympics.

So far no sector of the Mexican society has shown strong interest in supporting the students. The large labor federations are creatures of the government and are unlikely to respond to student approaches; but were they to do so, the government would be faced with a much more formidable problem. A work stoppage in Mexico City, which seems highly unlikely, could force a postponement of the Olympics.

Government/student relations have probably been damaged beyond repair, at least for the remainder of the Diaz Ordaz government. The PRI, the official party which has ruled Mexico for almost 40 years, is unaccustomed to having any sector of society challenge its authority. Students, however, have shown that the government and thus the party, while powerful, is not invincible. Perhaps the lesson will not be entirely lost on other groups not completely satisfied with the status quo.

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Department of State TELEGRAM

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INFO CIAE ØØ, DODE ØØ, GPM Ø4, H Ø2, INR Ø7, L Ø3, NSAE ØØ, NSC 10, P Ø4

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SY 03 RSR 0 1./140 W

P 270031Z SEP 68 FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 7721

S. E. C. R. E. T. MEXICO 7239

REF DEPTEL: 244518

I. COUNTRY TEAM HAS ASSESSED STUDENT SITUATION AND CONCLUDES FOLLOWING:

Z: GOVT HAS: BEEN: COMMITTED TO FORCEFUL SHOWDOWN WITH STUDENTS EMER SINCE ARMY TOOK OVER UNAM: SHOWDOWN REINFORCED BY ATTACK ON: RECTOR, GOVT MOVE ON ALL: STUDENT GATHERINGS OF ANY SIZE AND BY SEIZURE OF OTHER SCHOOLS. GOVT AT MOMENT NOT SEEKING COMPROMISE SOLUTION WITH STUDENTS BUT RATHER SEEKING TO PUT END TO: ALL: ORGANIZED: STUDENT ACTIONS: BEFORE OLYMPICS. SECRETARY OF GOVERNMENT HAS INFORMED EMB. OFFICER THAT CNH ITSELF DOES NOT WANT SETTLEMENT. AIM OF GOVT BELIEVED TO BE TO ROUND UP EXTREMIST ELEMENTS AND DETAIN THEM UNTIL: AFTER OLYMPICS. THUS GOVT BELIEVES DETENTION: EXTREMISTS OFFERS BETTER: PROSPECT FOR PEACEFUL! OLYMPICS: THAN WOULD COMPROMISE SETTLEMENT LEAVING: EXTREMISTS FREE. DEPT WILL: RECALL: THAT WELL IN ADVANCE: OF PRESENT DISORDERS. GOM HAD INFORMATION. STUDENT EXTREMISTS WOULD ATTEMPT DISRUPTION GAMES.

3. QUESTION OF STUDENT LEADERSHIP: NOT EASY TO ANSWER. THERE IS NO MODERATE STUDENT LEADERSHIP KNOWN TO BE ACTIVE AND INFLUENTIAL: AMONG: STUDENTS AT PRESENT. CNH: HAS: BEEN LOOSE BODY COMPOSED OF 210 MEMBERS. THREE REPS: FROM EACH OF SEVENTY SCHOOLS. TOP: GOM OFFICIAL: RESPONSIBLE FOR: INTERNAL: ORDER STATES THAT EFFECTIVE LEADERSHIP WITHIN CNH: EXERCISED BY KIND OF SECRETARIAT COMPOSED OF 10 KNOWN COMMUNISTS. 9: OF WHOM HAVE VISITED CUBA. FIVE OF THIS TEN: ARE NOW IN JAIL: AND GOM: EXPECTS ROUND: UP OTHER FIVE SHORTLY.

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Department of State

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PAGE 02 MEXICO 07239 2701522

STRIKE LEADERSHIP HOWEVER HAS BEEN FLUID AND EVEN LEFTIST HAVE APPEARED DIVIDED AS TO DEGREE OF MODERATION AND EXTREMISM. NON-VIOLENT DEMONSTRATIONS HAVE SHOWN REMARKABLE DISCIPLINE AND ORGANIZATION UNDER DIRECTION CHHE EMB LIKEWISE BELIEVES CHH GENERALLY RESPONSIBLE FOR RECENT VIOLENCE ALTHOUGH DISPERSAL OF CNH LEADERSHIP HAS MADE IT POSSIBLE FOR BELIEVERS IN VIOLENCE TO OPERATE INDEPENDENTLY AND SOME VIOLENCE DOUBTLESS DUE TO NON-STUDENT LAWLESS ELEMENTS. POSSIBILITY STRONG THAT RECENT ACTS OF AND: VIOLENCE TO SOME DEGREE SPONTANEOUS REACTION OF THESE GROUPS AND INDIVIDUAL STUDENTS. IN GENERAL, CHH SEEMS ABLE TO INCITE OR MOVE STUDENT GROUPS TO ACT: IT SEEMS NOT EQUALLY ABLE TO PREVENT THEM FROM ACTING.

- 4. THERE IS NO DOUBT THAT ANTI-GOVT MOOD OF BULK OF STUDENTS SIGNIFICANTLY INCREASED BY RECENT DEVELOPMENTS BUT EMB DOES NOT BELIEVE THAT THIS MEANS INCREASED WILLINGNESS OF SIGNIFICANT NUMBERS TO TAKE GREAT PERSONAL RISKS IN ACTIONS AGAINST GOVT. DEMONSTRATED GOVT WILLINGNESS TO USE ALL MEANS INCLUDING GUNFIRE TO CONTROL STUDENT VIOLENCE HAS GREATLY REDUCED SIZE OF STUDENT DEMONSTRATIONS AND TENDS TO SEPARATE MODERATE ELEMENTS FROM EXTREMISTS. IN ANY OVERALL ASSESSMENT OF SITUATION, IT MOST IMPORTANT NOTE NO SUBSTANTIAL SUPPORT FOR STUDENTS HAS YET COME FROM ANY MASS SECTOR OF POPULATION.
- 5. SECRETARIES OF GOVERNMENT AND OF FOREIGN RELATIONS HAVE SEPARATELY ASSURED EMBASSY OFFICERS THAT GOVT WILL: PUT END TO STUDENT AGITATION PRIOR TO OLYMPIC GAMES AND THAT NO DISRUPITON OF GAMES WILL OCCUR. WHILE THIS POSITION BY GOM OFFICIALS IS TO BE EXPECTED, BOTH OFFICIALS GAVE: IMPRESSION OF FULL CONFIDENCE IN ABILITY GOM TO DO THIS. EMB DOES NOT BELIEVE THAT SIGNIFICANT DISRUPTION OF GAMES WILL: OCCUR OR THAT VISITORS WILL: BE SERTOUSLY ENDANGERED OR INCONVENIENCED BY STUDENT AGITATION. HOWEVER SOME ISOLATED ACTS OF TERRORISM OR OF HARASSMENT (FOR EXAMPLE) TELEPHONED BOMB THREATS) CANNOT BE ENTIRELY RULED OUT. WHILE THERE MAY WELL BE TROOPS OR ARMED PATROUS: IN: EVIDENCE DURING GAMES, EMB: BELIEVES THAT GOM WILL BE WELL AWARE OF DESIRABILITY OF MAKING THESE ELEMENTS AS INCONSPICUOUS AS POSSIBLE.
- 6. OLYMPIC INSTALLATIONS HAVE THUS FAR BEEN COMPLETELY INSULATED FROM RECENT INCIDENTS. EMB HAS RECEIVED REPORTS THAT STUDENTS SEEKING OUT FOREIGN CORRESPONDENTS HERE FOR OLYMPICS TO STATE No. of the second second THEIR CASE BUT THEY CAN HARDLY EXPECT SYMPATHETIC EARLIF THEY

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PAGE 03 MEXICO 07239 270152Z

UNDERMINE: OLYMPICS. THERE ARE NO INDICATIONS THAT STUDENTS ATTEMPTING TO RALLY OLYMPIC ATHLETES OR THAT CURRENT DISORDERS HAVE AFFECTED PARTICIPATION: IN GAMES. MOST STUDENTS INCLUDING SOME CNH MEMBERS HAVE APPEARED CONSCIOUS OF ADVERSE PUBLIC REACTION OF ANY MOVES AGAINST OLYMPICS. THOUGH CLEARLY WHAT HAS WORRIED GOVT HAS BEEN POSSIBLE ACTION BY INTRASIGENT BUT CONTROLLING MINORITY OF ACTIVISTS.

7. FOREIGN SECRETARY CARRILLO FLORES HAS TOLD AMBASSADOR
THAT FOREIGN SECRETARIAT SENT CIRCULAR TO ALL OVERSEAS DIPLOMATIC
AND CONSULAR OFFICES INSTRUCTING RECIPIENTS TO SPREAD WORD THAT
THERE WILL BE NO DISRUPTION OF OLYMPIC GAMES. FOREIGN SECRETARY
ALSO MENTIONED THAT ONLY QUERY GOM HAD RECEIVED FROM ANY OTHER
COUNTRY REGARDING SAFETY OF OLYMPICS HAD COME FROM SOVIETS.
FREEMAN



Department of State TFI

TELEGRAM

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PAGE Ø1 MEXICO Ø7241 271908Z

42 ACTION ARA 16

INFO CIAE 00, DODE 00, NSAE 00, NSCE 00, SSO 00, USIE 00, CCO 00, AID 28

FBO Ø1,GPM Ø4,H Ø2, INR Ø7,L Ø3,NIC Ø1,NSC 10,0 Ø2,0C Ø6,0PR Ø2,

P 04, PER 02, RSC 01, SAH 02, SCA 02, SP 02, SS 25, SY 03, SCS: 04, PC: 04,

E 15.CU 04.10 130HEW 0/0RSR 01/171 W

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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 7723

CONFIDENTIAL MEXICO 7241

SITREP SEPTEMBER 27, 1968

JOINT EMB/DEFENSE MESSAGE

IN STATEMENT OF EVENING SEPTEMBER 26, UNAM RECTOR BARROS SIERRA ANNOUNCED HE WAS REVOKING HIS "IRREVOCABLE RESIGNATION." IN ANSWER TO PRESS QUESTIONS HE SAID HE WOULD SOON ASK FOR REMOVAL OF ARMY TROOPS FROM UNAM AND FOR ADJUSTMENT IN SCHOOL CALENDAR. PRESS REPORTS FAVORABLE REACTION TO RECTOR. ANNOUNCE. MENT, EVEN BY PROMINENT DEPUTIES WHO HAD RECENTLY ATTACKED RECTOR. RECTOR SAID HE HAD MET WITH SOME MEMBERS OF STUDENT. "STRUGGLE COMMITTEES" AND HAD RECEIVED THEIR SUPPORT FOR RETURN TO CLASSES AS SOON AS FEASIBLE.

- 2. ALMOST COMPLETE CALM IN CITY WITH ONLY VERY MINOR AND ISOLATED ACTS OF VIOLENCE. SOME SMALL SCHOOL MEETINGS TOOK PLACE SEPT. 26 BUT SOURCE IN DEPT OF FEDERAL SECURITY SAID CNH MEETING CALLED FOR 1700 HOURS TODAY WILL NOT BE: PERMITTED.
- 3. EMBASSY SOURCES REPORT AUTHORITIES CAPTURED CNH TREASURER. IN POSSESSION AT TIME OF THOUSANDS OF PESOS AND CHECK. BOOKS UNDER FALSE NAMES.
- 4. FONSEC CARRILLO FLORES IN PRESS CONFERENCE SEPTEMBER 26

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Department of State

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PAGE 02 MEXICO 07E41 271908Z

DECLARED MEXICO WILL TELL GA IT WILL HONOR PROMISE TO CARRY OUT OLYMPIC GAMES WORTHILY.

5. ACCORDING TO EL HERALDO, DAMAGE ESTIMATE CAUSED BY STUDENT UNREST SINCE LATE JULY TOTALS MORE THAN 100 MILLION PESOS: 70 PERCENT DIRECTLY, REMAINDER FROM BUSINESS LOSSES.

6. PEACEFUL DEMONSTRATIONS IN SUPPORT OF MEXICO CITY STUDENTS HELD IN SEVERAL PROVINCIAL CITIES, SPEAKERS IN MONTERREY RALLY MAKING POINT THAT STUDENTS HAVE NO DESIRE TO SPOIL OLYMPICS. FREEMAN



Department of State TELEGRAM

LIMITED OFFICIAL USE 386

PAGE Ø! MEXICO Ø7282 Ø10103Z

91 ACTION ARA 16

INFO CU 04, CIAE 00, DODE 00, GPM 04, H 02, INR 07, L 03, NSC 10, P 04, RSC 012 SP 02, SS 25, USIA T2, SAH 02, NIC 01, AID 28, O 02, SY 03, OPR 02, OC 06

CCO 00, RSR 01,/135 W

R 010006Z OCT 68 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 7749

LIMITED OFFICIAL USE MEXICO 7282

SUBJ: SITREP SEPTEMBER 30, 1968

JOINT STATE/DEFENSE MESSAGE

I. CITY QUIET FOR PAST 24 HOURS. ONLY INCIDENT WAS LOW KEY "MOTHERS MARCH" OF 2,000.3,000 PERSONS LESS THAN HALF OF WHOM WERE MOTHERS. MARCH PROCEEDED FROM MONUMENT TO MEXICAN MOTHERS DOWN REFORMA TO CHAMBER OF DEPUTIES WHERE SIX SPEECHES WERE HEARD ASKING CHH TO CONTINUE ITS DEMANDS AND CALLED ON DEPUTIES TO RELEASE DETAINED STUDENTS. POLICE DID NOT INTERFERE WITH THE MARCH. SOME DEMONSTRATORS TO RETURN TOMORROW TO PRESS DEMANDS BEFORE CHAMBER.

2. SECRETARY OF DEFENSE MAINTAINS UNAM CAMPUS WILL BE TURNED OVER TO UNIVERSITY AUTHORITIES WHEN THEY ASK FOR IT. RECTOR BARROS SIERRA MET WITH UNIVERSITY COUNCIL TODAY TO DECIDE NEXT MOVE. CNH STILL INSISTING ON ITS DEMANDS AND SAYS STRIKE CANNOT END UNTIL STUDENT ASSEMBLIES VOTE TO RETURN TO CLASSES. CNH HAS MEETING PLANNED FOR OCTOBER 2. IN PLAZA OF THREE CULTURES. GOM HAS NOT INDICATED IF IT WILL PERMIT THE MEETING.

3. ALL MILITARY ZONE COMMANDERS HAVE BEEN GIVEN AUTHORITY TO MOVE AGAINST STUDENT DISTURBANCES IN PROVINCES WITHOUT CHECKING WITH CENTER. ONE STUDENT KILLED IN POZA RICA, VERACRUZ IN STUDENT-POLICE CONFRONTATION, INCIDENT UNDER INVESTIGATION. FREEMAN



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CONFIDENTIAL

DEPARTMENT OF STATE

Assistant Secretary

3253

TO:

The Acting Secretary

THROUGH:

S/S Da

FROM:

ARA - Covey T. Oliver

Octøber 1. 196

SUBJECT:

Mexican Situation - INFORMATION MEMORANDUM

Tensions seem to be easing in Mexico City. No serious disorders have occurred in the past five days and the GOM has made several gestures as a prelude to a compromise solution of the student problem, including the evacuation of troops last night from the National University campus. If the present trend continues, the situation should be calm for the Olympic Games.

Though the GOM is acting as if it is confident a compromise is imminent, we remain skeptical. The National Strike Committee is again installed in the University, reiterating its demands and insisting the student strike will continue. The student demands are unmet, tempers continue high, and any violent incident, even if accidental, could easily provoke a new round of disturbances. A mass meeting scheduled for tomorrow, October 2, should provide an opportunity to gauge the amount of support remaining for the students' cause.

ARA/MEX:MYohn:MChaplin:md, Ext. 5203 10/1/68

CONFIDENTIAL GROUP 3

Downgraded at 12-year intervals of the not automatically declassified.

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Department of State TELEGRAM

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CONFIDENTIAL: MEXICO 7362

JOINT STATE/DEFENSE MESSAGE

I. EMBASSY HAS REASSESSED STUDENT AND OLYMPIC SITUATION IN LIGHT OF OCTOBER 2 RIOTS AND CONCLUDES FOLLOWING:

2. SITUATION CLEARLY MORE SERIOUS THAN ANYTHING PREVIOUS IN CURRENT STUDENT UNREST. 24 CIVILIANS AND 8 ARMY MEN KNOWN DEAD, BUT THESE FIGURES INCOMPLETE WITH POSSIBILITY AS MANY AS 100 KILLED. GENERAL JOSE HERNANDEZ TOLEDO, HEAD OF PARATROOP BATTALION, SERIOUSLY WOUNDED AND MAY NOT SURVIVE. NO US CITIZENS REPORTED DEAD OR HOSPITALIZED. SOME PRESS REPS INCLUDING US WERE DETAINED BRIEFLY AND HAD PHOTO EQUIPMENT AND FILM SEIZED. ITALIAN WOMAN CORRESPONDENT WOUNDED THOUGH NOT SERIOUSLY.

3. ENTIRE APARTMENT COMPLEX FROM WHICH SHOOTING TOOK PLACE HAS BEEN SEARCHED, ARMS CACHES FOUND, MORE THAN 1000 ARRESTED, INCLUDING SOCRATES CAMPOS LEMUS, BELIEVED TO BE LEADER OF HARDLINERS IN CNH. WHETHER OTHER CNH LEADERS CAPTURED NOT YET KNOWN. INTERESTING QUESTION UPON WHICH EMB LACKS INFO IS WHETHER OCCUPANTS APARTMENT HOUSES VOLUNTARILY COOPERATED WITH STUDENTS IN POSITIONING SNIPERS OR WHETHER THEY DID SOUNDER DURESS. NO INFO YET ON ORIGIN OF WEAPONS.

4. MOTIVATION FOR OBVIOUSLY DELIBERATE WILLINGNESS OF STUDENT

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Department of State

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LEADERS TO ENGAGE GOVERNMENT IN ARMED CONFRONTATION NOT ENTIRELY CLEAR. POSSIBLE AIM WAS TO EXACERBATE RELATIONS BETWEEN STUDENTS AND GOVERNMENT AND CREATE NEW ISSUE OF TYPE WHICH UP TO NOW HAS CAUSED THOUSANDS OF STUDENTS TO RALLY AROUND HARDCORE LEADERSHIP. HOWEVER. WHETHER STUDENTS WILL RESPONS IN THIS WAY REMAINS TO BE SEEN, AND IN ANY CASE, IT SEEMS POSSIBLE THAT THERE WILL BE GENERAL WAVE OF REVULSION AGAINST SHOOTINGS. FACT THAT SNIPERS HAD PREPARED POSITIONS (AND APPARENTLY AMBUSHED SOLDIERS) SHOULD BE OBVIOUS EVEN TO OPPONENTS OF GOVERNMENT AND SHOULD DILUTE STANDARD COUNTERARGUMENT THAT GOVERNMENT PROVOKED MATTERS.

5. RECENT INCIDENT IS OBVIOUSLY WORRYING GOM BUT PRESIDENTIAL PRESS SECRETARY EARLY THIS MORNING ASSURED PRESS THAT
OLYMPICS WILL BE HELD WITHOUT DISRUPTIONS. THERE DOES NOT
SEEM TO HAVE BEEN ANY CONNECTION BETWEEN SHOOTINGS AND
OLYMPICS. AREA OF INCIDENTS WAS CONFINED TO ONE SMALL PART
OF CITY AND NEITHER OLYMPIC INSTALLATIONS NOR PERSONNEL HAVE
BEEN OBJECT STUDENT ATTACK NOR AFFECTED IN ANY WAY.
DISQUIETING NOTE, HOWEVER, WAS ORAL MESSAGE FROM MEXICAN
OLYMPIC COMMITTEE THIS MORNING ASKING THAT SPACE EXHIBIT
NOT BE SET UP ON UNAM CAMPUS. IOC PRES. BRUNDAGE TOLD
PRESS THAT IOC STATEMENT WILL BE ISSUED THIS AFTERNOON WHICH
EMBASSY WILL FORWARD IMMEDIATELY.

6. STRIKING ASPECT OF STUDENT DISTURBANCES SINCE LATE JULY HAS BEEN VIRTUAL ABSENCE OF ANY ANTI-US ASPECT. THIS ALSO CASE IN OCTOBER 2 RIOT.

7. ON BALANCE, EMBASSY REAFFIRMS ITS PREVIOUS CONCLUSION IN EMBTEL 7239 THAT QUOTE EMB DOES NOT BELIEVE THAT SIGNIFICANT DISRUPTION OF GAMES WILL OCCUR OR THAT VISITORS WILL BE SERIOUSLY ENDANGERED OR INCONVENIENCED BY STUDENT AGITATION. UNQUOTE. ISOLATED ACTS OF VIOLENCE CANNOT, OF COURSE, BE RULED OUT. FREEMAN

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DEPARTMENT OF STATE ASSISTANT SECRETARY

13346

October 3, 1968

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TO: The Acting Secretary

THROUGH: S/S)L

FROM: ARA - Covey T. Oliver

SUBJECT: Mexican Situation - INFORMATION MEMORANDUM

Last night's serious violence in Mexico City seems to have been the result of provocation by student extremists and gross over-reaction by the security forces. We see its significance as follows:

- 1. It was a sharp blow to President Diaz Ordaz and his Government, both because of the excessive force used and because it underscores the GOM failure, after 11 weeks, to eliminate violence.
- 2. It reopens the question of whether the Olympics can be held. An International Olympic Committee decision to postpone, or cancel, the games would have serious political consequences for the Diaz Ordaz regime.

Issues for U.S.

The continuing violence raises two concerns for the U.S.:

1) the safety of U.S. athletes and visitors to the games and 2) U.S. participation in scientific and cultural activities

associated with the Olympics.

Thus far, the violence has been contained in certain areas of the city, has not been directed against the U.S., and has not threatened any visitors exercising reasonable caution. Therefore we do not feel a warning to our citizens is warranted at this time.

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Our participation in the scientific and cultural activities is still going forward as planned, with the exception of the space and nuclear energy exhibits, whose installation at university sites has been delayed at GOM request.

We believe it important to avoid any indication that we lack confidence in the GOM's ability to control the situation. Accordingly, in responding to press questions today the Department's spokesman said that we believe the GOM will provide security to visitors and that we are not warning against visiting Mexico City during the Olympics.

ARA/MEX: Myohn: md 10/3/68 Ext. 8855

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ACTION: Amembassy MEXICO PRIORITY

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- 1. Embassy requested provide at its early convenience assessment of foreign influence on student disorders. comment on specific intelligence reports assistance to students by foreign-supported extremist groups as well as general public statements by Campos Lemus, Cardenas, and Minister Government. Re latter, we note Echeverria has made directly contradictory statements on foreign involvement.
- Other items on which further reporting desired are run-down on demonstrations and strikes in provincial capitals, current status report on/hospital strike, and Country Team best judgment on number casualties in October 2 violence. Department does not wish to engage in body count numbers game, but extreme range casualty reports makes generally agreed figure helpful.
- 3. Request comment on reports disseminated by FBI October 4 in October 2 incidents. and 5 on origin of firing! One report attributed outbreak to

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The White House - Mr. Lewis (info)

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Amembassy MEXICO

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confusion between army and security agents, other implicated

Trotskyist terrorist group, Olympia Brigade, which not previously
identified.

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U.S. DEPARTMENT OF STATE

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Sole - 796

October 10, 1968

To The Secretary

Thru

INR - Thomas L. Hughes From

Subject: Current Unrest Springs from Widespread Student

Disaffection and Alienation

Unrest may abate during Olympics. The student/government conflict, now 11 weeks old, shows some tentative signs of abating temporarily as the Olympics open on October 12, but isolated acts of violence are possible. Student strike leaders have declared that they will not hold further public demonstrations because the government has already shown that it cannot maintain order and because the security forces would only kill more students. Press reports indicate that some students may be talking with presidential representatives, probably for the purpose of scaling down the dispute, at least during the two week period of the Olympics. There is no firm evidence, however, that student opposition to the government has lessened. Reportedly, student brigades composed of five or more persons plan to roam the city during the Olympics to pass out material setting forth the student case. The government will almost certainly be unwilling to permit student bands to besiege tourists with propaganda material. Furthermore, it seems unlikely that any combination of student leaders could insure that extreme militant elements would honor the terms of an agreement. There are several reports that some hard core groups might attempt to sabotage some Olympic installations and perhaps kidnap participating athletes.

Government prefers to view problem as minor social disorder. The government has so far shown little inclination to view the student problem as anything more than a

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minor rebellion. At the beginning when violence erupted almost spontaneously out of a peaceful demonstration it immediately employed overwhelming force to quiet the situation. Subsequently the security forces were restrained and the students were permitted to demonstrate peacefully until it became obvious that the unrest was growing instead of diminishing. At this point, President Diaz Ordaz sought to put an end to the conflict by making it unmistakably clear in the September 1 state of the union message that no further violence would be tolerated. Since then, the conflict has developed in a cyclical pattern of apparent tranquility and extreme violence.

In pursuance of Diaz Ordaz' pronouncement the government occupied the national university on September 18 when it learned that a demonstration was planned near the Olympic village. Such action served to polarize the conflict, and students and the security forces clashed violently on several occasions. Later, the university was returned to the academic authorities and the rector was allowed to retain his position after the government had obviously sought to discredit him. Shortly thereafter a group of strike leaders, claiming to speak for the students, announced that differences with the government would be pressed in a peaceful manner. Almost at the same time, other strike leaders asserted that the conflict would not be held in abeyance during the Olympics and set about organizing several demonstrations that resulted in the bloody clashes on 2 October in which an estimated 150 to 200 persons died, including 40 military personnel.

Continuing agitation reflects widespread dissatisfaction. The government has sought to place blame on the communists and has periodically announced that foreign elements are involved. Yet it has not come forth with any persuasive evidence to

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substantiate these claims. The administration seems not to realize that extremists, even with the aid of foreign elements, could hardly have sustained the unrest over such a long period if student dissatisfaction were not deep and widespread. The persistence and magnitude of the protests suggest that the students feel that the issues are real and worth the risks involved.

Most recently, the government arranged to have a captured student leader charge publicly that several disaffected members of the official party (PRI) have contributed to the unrest. The government's motives in doing this are as yet unclear, but it may have been trying to shift the blame for its inept handling of the affair to persons that it feels can be destroyed politically fairly easily. All of the individuals named have emphatically denied the charges, and the strike council has disavowed any connection between it and the disaffected party types. It is possible, however, that one or all of the accused have attempted to use the student unrest to get back at the government and to further personal ambition. It is also possible that the administration is using the charges to warn other more powerful persons that it will not tolerate efforts to exploit the student issue. Whatever the explanation may be, the disaffected PRI elements could not have exploited student dissatisfaction if the students were not already deeply concerned and willing to defy the government.

Conflict will persist so long as students feel alienated. The government has so far shown little inclination to accede to any of the students' demands, which are principally that the government take steps to eliminate police brutality, publicly acknowledge university autonomy, compensate the families of students who have been killed and injured by the police or military, and release the estimated 300 to 500 students being held as prisoners. At this point, however, the dispute may have progressed

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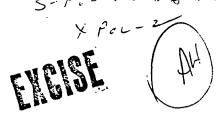
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beyond the stage where specific demands are still meaningful in working out a settlement. The students will likely continue to agitate and foment difficulties for the government as long as they feel alienated and without a voice in the decision making process. They probably feel that they have already won a victory in demonstrating that the government, and thus the official party, is vulnerable. The students probably believe that in failing to force a settlement of the dispute the government has lost face in the eyes of many Mexicans who are unaccustomed to seeing the all powerful PRI tolerate any opposition that is the least bit threatening. So far, however, the unrest has not spread and there seems little likelihood at present that the students will succeed in obtaining significant support from labor.

It seems unlikely that the PRI can bring about a fundamental solution to the problem without changing the widespread conviction that it is entrenched, stagnant, and primarily self-serving. The students have to be convinced that despite the enormous graft and dishonesty which have become hallmarks of the PRI, the party is still, or will become again, a vital force for political and social change, as well as economic growth. The present leadership does not appear to be disposed to comprehend the magnitude of the problem of student alienation and to accept it as a serious warning that the party is not responding to the legitimate needs of an increasingly vocal segment of Mexican society.

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October 11, 1968

OFFICIAL-INFORMAL

Wallace W. Stuart, Esquire Counselor for Political Affairs American Embassy Mexico, D.F.

Dear Wally:

Now that there has been suple time for me to get some experience with the Washington reaction to the disorders in Mexico, I want to pass on some thoughts about political reporting. I recall a conversation on that subject we had last January, and on the basis of recent experience would now like to revise some of my observations at that time, particularly with regard to Embassy competition with the press services. I still believe it should not be the role of the Embassy to compete with the press services, but there are instances in which it is forced on you.

In the case of press coverage of an isolated event in Mexico - something unconnected with a major trend - it is possible for me to hold to the position that you will comment when you can and feel it useful to do so. This position will not hold up for a major development which has successfully claimed the attention of top-level Washington bureaucracy. When an issue becomes so prominent that it receives front-page play in the New York Times for several days in a row, the automatic response at the Assistant Secretary level and above is to ask for confirmation or correction of news reports from Embassy sources. If it is not available, they immediately ask "Why".

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The divergences among various news sources such as the wire services, Christian Science Monitor and the Times also generate pressure for Embassy reporting, for the Departmental principals usually will ask which of the press reports is correct. Another pressure for reporting is generated by that coming from other Embassies with roughly similar problems. For instance: if Montevideo and La Paz are reporting copiously on student demonstrations which are receiving similar publicity to those in Mexico, there is a tendency to look for a similar volume of reporting from Mexico. I agree that it is largely irrelevant to expect the Embassy's reporting patterns to comply with the editorial judgment of the newspapers, but there seems to be an inevitable tendency to do so.

One problem associated with reporting only when a clear-cut need therefor is apparent is that this tends to leave the field to the competition.

This was a large problem for us in Bolivia. Fortunately, in Mexico there do not seem to be divergences on fundamental policy questions

Doubtless, the problem of alarmism has been prominent in your thoughts these past two months. Here is another area in which giving attention to alarming reports which you believe do not merit it must be weighted against the problems arising from lack of comment thereon by the Embassy when other news media are reporting them, sometimes in exaggerated fashion.

A good example of what I mean was the question of the number of deaths in one of the earlier shooting events. One wire service reported the number as 15, and this figure, although unsubstantiated, was widely played here and gained some acceptance because it was unrebutted. We went to some lengths to keep the question in perspective, emphasize the lack of substantiation for this count, and were eventually bailed out by a later wire service report that only 5 persons had been killed. It would have been helpful if the Embassy had cited the various figures (assuming you see the wire service reports) and expressed whatever reservations you may have had.

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Since you are unavoidably in competition with the press in crises, it is important to be able to give it careful attention. The PAF <u>Press Clips</u> are very good for that purpose, but I have wondered if your service is rapid enough to be useful. If delay in receipt of <u>Press Clips</u> is a problem, let me know so I can look into faster service.

It is interesting to observe the lag in the reaction of the Federal bureaucracy in responding to the violence in Mexico. For the first few weeks it was dismissed as an instance of conventional Latin political effervescence and the intelligence agencies gave it little attention. preparation of the SNIE for the Nixon visit required that the U.S. Intelligence Board, take formal notice of Mexican events and that, together with the October 2 messacre, resulted in all the intelligence agencies substantially increasing their coverage of, and output on, Mexico. Consequently the White House is now receiving a far larger volume of reporting - mostly alarming - than they did three weeks ago. The FBI reports are a case in point here, and they create difficulties when we are asked for comment on reports we have not seen, or on which we have no elements of judgment.

My conclusion from all this has been that in situations in which the Washington community develops an intense interest, it is virtually impossible for the Embassy to over-report, and an aggressive reporting activity is essential if the Embassy is to maintain its influence and credibility. I hope to explore this with you in greater detail during a visit in December, but in the meantime will be looking forward to any comments you have.

Best regards,

Sincerely,

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cc: Minister Dearborn

Maxwell Chaplin Country Director Office of Mexican Affairs

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- Considerable interest as well as great uneasiness has been stirred here by recent student disorders. There is particular concern as to what these events reveal about Mexico's social and political fabric. There is thus very strong need felt here for deep analysis both of nature of recent events as well as of what is likely to happen in near future. Cumulative effect upon US-Mexican relations naturally of prime interest. Embassy is therefore requested to submit the following two assessments.
- Analysis of events. Embassy should submit as soon as it can comprehensive CT analysis of recent disorders. This should cover not only analysis of student phenomenon itself but how it relates to the broader political, economic and social picture, if indeed it does. What do the student disorders reveal of what is happening in Mexico today and of what is likely to happen tomorrow? Following points of special interest here are

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provided as guides but the analysis should not necessarily be limited to these points:

- a. <u>Nature of unrest</u>. What accounts for unprecedented numbers supporting demonstrations in Federal District, while provincial demonstrations unremarkable? Do protesters include sizeable numbers of students, other than extremists, so alienated from current Mexican society that marginal reform measures will not moderate their protests? Can GOM compromise dispute or would offers compromise result in escalation demands by students?
- b. Implications for Diaz Ordaz administration. Effect on President's political power, and effect on institution of Mexican presidency. Effect on factions within administration and on military. Will bloodshed discredit public order forces? Do violence of demonstrations and direct criticism Diaz Ordaz establish new norms for expression discontent in Mexico? Does student dissatisfaction with press domination by Government herald increased freedom of press?
- c. <u>Implications for PRI</u>. Can PRI build effective student organization? What impact on pace and direction modernization and reform of PRI? Can party regain student confidence and if so by what reforms?

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- d. Labor, rural and urban unemployed. Is leadership organized labor in firm control or will dissident factions or unions multiply? To what extent are student grievances (specifically police brutality) shared by rank and file labor and urban masses? Will student efforts mobilize support among rural and urban unemployed materialize and meet success?
- 3. <u>Contingency analysis</u>. CT analysis of likely political, social and economic contingencies over next six to twelve months, and if possible over longer time frame. What is desired is a projection of the probable alternative "scenarios" of what is likely to happen in Mexico in this period, and of what US response should and could be in each scenario. This is meant to be a comprehensive analysis and not confined to or focused on students, though student matter is obviously important element in it. US-Mexican relations should be given special look in this contingency/scenario analysis.
- 4. Department realizes that foregoing is tall order and that much of what is requested can be little more than tentative judgment and even conjecture. Nevertheless rigorous intellectual exercise of this kind is badly needed and urgently sought.

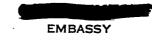
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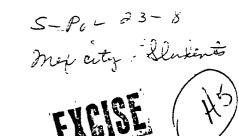
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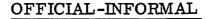
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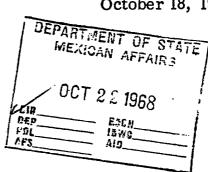


October 18, 1968

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Maxwell Chaplin, Esquire Office of Mexican Affairs Room 3906-A Department of State Washington, D. C.



Dear Max:

Many thanks for your letter of October 11 regarding political reporting in general and reporting on the student agitation in particular.

First, let me say a few words on the general subject.

It has always seemed to me that good reporting and analysis comes down to two at times conflicting elements: timeliness and accuracy. These elements are often in conflict because the analyst never has as complete information as he would wish and has the feeling that by waiting some important gaps might be filled. Nonetheless, an accurate analysis may be useless if it arrives after a vital decision has been taken. On the other hand a timely analysis that is incorrect in essentials may lead to an erroneous decision and thereby cause great harm. There is then a close relationship between timeliness and whether the estimate or report is needed before deciding on a course of action. If this is the case, the report must be submitted, imperfect though it may be, before the decision is taken. On the other hand, if it is not "actionable," delay in the interest of greater accuracy is only sensible and prudent.

Perhaps, I may illustrate the foregoing by examples from the recent student agitation. With the Olympic Games approaching

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and student violence continuing apace, the Department clearly needed the Embassy's best assessment, kept current, on the possibility that student violence would disrupt the Games and/or endanger American participants or spectators. These assessments were needed, I assume, in order that the Department could determine how it should answer queries from the press or private individuals. Timeliness was essential. I think that if you will look over our assessments, they have been timely, they have been substantially unqualified by "saving clauses" and to date (I still have my fingers crossed,) they have been accurate.

On the other hand, the question of how the October 2 violence started is in a totally different category. No immediate action or decision in Washington (that I am aware of) hinges upon that assessment. Hasty or snap assessments produce such egregious and lamentable errors as Time's reporting of it. If asked how the fracas started or who started it, a Departmental spokesman might, it seems to me, quite honestly and properly have said that the situation was very confusing and that we do not know. This seems to me far more respectable than giving currency and perhaps official sanction to error. How the violence started may have importance, but its importance lies in the longer term and accuracy, not promptness, becomes the controlling element. I believe that our 7514 of October 11 was about as prompt and as complete analysis as was possible with some regard for accuracy and in the light of the welter of conflicting rumors and reports. that they had some 15 differing and sometimes flatly contradictory versions of what happened, all from either "generally reliable sources" or "trained observers" on the spot'.

It may be my early training in physical science which makes me view with special concern the pretending to knowledge which one does not have.

Returning to the subject of competing with the press, I still consider it wrong and dangerous to place this requirement on an Embassy (the press is primarily concerned with selling papers; we are concerned with accurately informing our government,) but as I told you when we discussed this, I recognize that such a requirement is a fact of life and we have done our best to meet it.



(BI)

We have submitted since the student agitation began 89 telegrams (as of October 14) on the subject according to my count. While it has been simply impossible to comment individually on all press stories and on the plethora of reports submitted by the two other agencies reporting on the subject, we attempted to cover spot developments which seemed to us important and reasonably confirmed. I believe that if you glance through the 89 telegrams, you will find a fairly comprehensive and complete record of a developing complex situation. We were reporting daily and frequently twice daily before being requested to submit "Sitreps."

I have reviewed our analytical comment on the student situation and find that in addition to brief analytical comment contained in spot reporting telegrams, we have sent seven telegrams devoted primarily to analysis and assessment (6328, 6722, 6776, 6878, 7239, 7361, 7514.) I have also reread our basic analytical telegram 5481 written before student violence flared up. While we did not foresee at that time student agitation of the magnitude or tenacity which subsequently took place, in all fundamentals the assessment in 5481 has remained valid throughout the strike.

We had thought that the most urgent requirement placed on the Embassy in terms of time was a continuing assessment of the effect of student violence on holding the Olympic Games and the extent to which Americans might be endangered. We accordingly gave the Department a continuing consistent and unequivocal assessment which has had the additional merit of being, to date at least, accurate.

I do not know what incident you refer to in the last paragraph of page 2 of your letter. I am aware of four incidents when it was alleged that fatalities occurred: evening of July 29; night of September 21 and early morning September 22; night of September 23 and early morning September 24; October 2. In each case we gave available information on deaths within twenty-four hours (see telegrams 6235 of July 30, 7131 of September 22, 7175 of September 24 and 7362 of October 3, respectively.)

I do not mean to imply that our reporting and analysis could not have been better, and I freely admit that there have been times when we

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have, ourselves, felt that there were serious gaps in our information (there still are!) This not unexpectedly shows up in our reporting. But I do not see how you can read through our reporting and not conclude that the many people who contributed to it here are entitled to take considerable satisfaction in the job done.

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Sincerely yours,

Wallace W. Stuart

Counselor for Political Affairs

P.S. Your October 10 letter has just arrived. I shall set about a reply to it as soon as possible.

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. 8			period of strong government action including				
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ेह्ट 00T 2 I PM	July 30 - August 27: A period of government permissiveness which saw the formation of the National Strike Council (CNH) and a radicalization of the student movement expressed in two massive marches, increasing attacks on the President and a growing impasse between students						
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August 28 - 31: A mild government crackdown in which the army once more took part.

September 1-17: The government's reversion to a permissive policy with respect to student meetings (highlighted by a silent march on September 13) but a continued impasse on a student-government dialogue as both sides put forward unacceptable conditions.

September 18 - 26: Once more a government crackdown featured by army occupation first of UNAM and then of IPN, by breaking up of student gatherings before they began, and by sporadic violence.

September 27 - October 1: Student meetings were once more permitted and as later announced talks were started between CNH and Presidential representatives.

October 2 to Present: The most violent incident of the entire student situation took place followed by sporadic violence and a determined government roundup of suspected student extremists. Violence has abated and talks once more resumed about new efforts to reach some agreement between students and government.

- 2. What began as a minor clash between two rival prep schools, grew into the most serious student disturbance and one of the most serious civil disturbances in the last twenty years of Mexico's political history. On July 22, students from prep schools 2 and 5 of the National Polytechnic Institute (IPN) clashed with students from the private prep school of Isaac Ochoterena. The rivalry seemed to be based on one school being private and the other public and both schools being close to each other. The following two days saw clashes between groups of students from prep schools 2 and 6 of the National Autonomous University of Mexico (UNAM) and the IPN students. The UNAM students apparently came to the aid of the studentsfrom I. Ochoterena. Pitched battles and property damage to cars and stores around the Ciudadela area resulted from the student clashes. The "granaderos" (riot police) intervened to break up groups of students and to keep rival groups apart. An especially severe encounter occurred at Vocational #5 including entry of police into the school.
- 3. As a result of these clashes with the police a demonstration, approved by city authorities, was planned for Friday July 26, to protest against

police brutality. The demonstration was planned and organized by the National Federation of Technical Students (FNET) led by Jose Rosario Cebreros Manjarrez. Six thousand students from the seven vocational schools of the IPN marched from the Ciudadela area (where the vocational schools 2 and 5 are located) to the Casco de Santo Tomas (where offices and other vocational schools of the IPN are located.) During the march shouts of "to the Zocalo" were heard but the demonstration arrived at the Casco with only minor acts of vandalism left in its wake.

- 4. At the Casco various speeches were heard and more shouts of "to the Zocalo." Most of the students disbanded but about 500 from vocational #4 captured four buses and proceeded to the streets of San Juan de Letran and Madero. Here they were met by a smaller demonstration of radical leftists celebrating the "26th of July" Cuban anniversary. This group was made up of Trotskyites, members of the Mexican Communist Party (PCM), National Center of Democratic Students (CNED) and the National Liberation Movement.
- 5. The two groups merged and began a march toward the Zocalo. On Avenida Madero they were met by granaderos who had just been sent by the police chief after the leader of the FNET complained that the student march had been taken over by agitators. (He later denied making this complaint.) From 7 p.m. until 2 a.m. various clashes resulted from students grouping and regrouping and being dispersed by the granaderos. Students occupied prep schools 1, 2 and 3, burned a bus in the street and fought off the granaderos. Director of prep school 1 asked the police to withdraw which they finally did at 2 a.m. when the situation had quieted down.
- 6. During the course of the evening the police raided the headquarters of the communist party at 186 Merida where they reportedly found a half ton of propaganda,, some allegedly inciting urban guerrilla warfare. They also raided the offices of La Voz de Mexico, the PCM newspaper, causing some damage to the facilities. Police arrested 76 persons among them three foreigners: Wilfred Rosado (aka Perez) a Puerto Rican, Mika Satter Seeger, an American and Raul Patricio Pobleta Sepulveda, a Chilean. A number of communists and known agitators were arrested including PCM First Secretary, Gerardo Unzueta Lorenzana and President of the Communist Youth of Mexico, Arturo Ortiz Marban.
- 7. During the weekend of July 27 and 28 there was only mild activity on the part of some students and non-student agitators. The weekend was

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taken up mainly with student meetings, fund raising campaigns and future planning. Several buses and trucks were captured by students but the situation was eased somewhat when the Director of the Mexico City Traffic Department General Renato Vega Amador talked students into releasing 17 buses seized on Saturday. Thirty three students were released from jail as a show of good faith.

- The U.S. Embassy, the ABC Hospital and the American School received various bomb threats and school was suspended for one day at the American School. There was, however, little evident anti-Americanism in the demonstrations and the above threats were probably aimed to harass and possibly to disperse police forces. IPN students held a pre-announced rally in the Zocalo on July 29, at 6:00 PM. Students arrived in gangs from various parts of the city committing small acts of vandalism on the way. All of the bus companies stopped service to the center of the city because they could not be guaranteed protection for their vehicles. Army troops in the Mexico City area were put on alert. About 6000 students attended the rally. Clashes between students and granaderos began at 9:00 PM and intensified when students tried to break into three commercial armories on Argentina Street. The battle in this area continued until about midnight when the police realizing that they could not alone disperse the students, called in the army. The army quickly restored order. When students would not leave the prep schools soldiers blasted the door down with bazookas and cleared the buildings with ease. Soldiers occupied prep schools 1,2,4, and 5.
- 9. Approximately 812 persons were detained, 200 injured and conflicting reports from 1 to 4 students reported dead. The government maintained that no students had been killed and the mass media duly followed this line. On July 30 Mayor Alfonso Corona del Rosal, Minister of Interior Luis Echeverria, Attorney General Julio Sanchez Vargas held a press conference in which the Mayor agreed to a petition presented by a delgation of students headed by Jose Cebreros of the FNET. The Mayor withdrew the granaderos and the troops who were occuping the prep schools in the center city area. The students also presented a list of seven

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demands to the Mayor, they were resignation of the chief of police, resignation of the officials involved in the incident at vocational #5 on July 23, indemnization of injured students, initiation of a new law to delimit the powers of the police, destruction of police files on arrested students, freedom of detained students, information on the whereabouts of missing students, and removal of the troops. University classes were suspended for one day.

- 10. National University Rector Javier Barros Sierra, in a shrewd effort to forestall the involvement of his students who had thus far been on the sidelines, XMEX addressed a group of about 20,000 students saying "these are dark days for the University" because of the violation of university autonomy. He personally lowered the flag to half mast and announced he would lead a peaceful protest march on August 1. According to UNAM authorities their autonomy had been violated when troops had occupied UNAM connected prep schools in the downtown area. However, no troops entered the main university campus.
- 11. On July 31, minor skirmishes in the downtown area and numerous student rallies maintained the air of tension but the situation was relatively quiet. The government in a conciliatory move agreed to five of the seven student demands and agreed to give a reply to the other two by August 8 (the two pending demands were the resignation of the police chiefsand disbanding of the granaderos). Various ad hoc "fight committees" began to be formed especially in repudiation of the FNET which was considered to be under government influence.
- 12. The government increasingly attributed the blame for the riots to communists, radical deftists and foreigners, as five more communist leaders were arrested. The various sectors of the official party the CTM, CNC, and CNOP and the opposition parties published statements in the press condemning student violence (while supporting university autonomy) and justifying government actions. On August 1, Rector Barros Sierra led a march of 80,000 students and teachers on a peaceful march from

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the National University 3 kilometers up Insurgentes Avenue and back to the university. It was a peaceful march which allowed the students to let off steam and made Barros Sierra something of a hero.

- 13. On August 1, President Diaz Ordaz, who had been touring the states of Jalisco and Colima since the disturbances began, gave a speech in Guadalajara strongly deploring the student disorders. He offered his outstretched hand to those who would take it and join in restoring social peace to Mexico. Diaz Ordaz told the Mexican people they should remember what unites them and forget what divides them. Immediately the press was full of ads from all sectors of the public and from all the states expressing their support for the President and calling for the restoration of social peace. Almost all of the ads included a lament for, and condemnation of the communist role in inciting the students and exploiting them for their own ends.
- 14. The Communist Party placed an add in <u>El Dia</u> August 3, in which they supported the President but protested the actions taken against the party. The ad was signed by well known Mexican Communist painter David Siquieros. The ad blamed the riots on the CIA. The same position was taken by the <u>Partido Popular Socialista</u> (PPS) but they threw rightists, pseudo leftists, and foreigners in for good measure. The weekend of August 3 and 4 was relatively quiet, the only arrests being hoodlums who were using the student riots as a cover to carry out shakedowns.
- 15. The IPN students and sympathizers from other schools held a peaceful demonstration on August 5. Thirty to fifty thousand students led by 200 professors marched within 5 kms. of the IPN making no attempt to go to the Zocalo. Director Guillermo Massieu refused to lead the march because the various student factions could not settle their differences. Some of the more radical groups of students and professors added to the standing list of 7 demands a call for relase of all political

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prisoners and repeal of Article 145 and 146 of the Penal Code which pertains to social dissolution. The students promised to call a nationwide student strike if their demands were not answered within the deadline of August 8, previously announced by Corona del Rosal.

- 16. Splits among the students became apparent when the strike committees condemned Cebreros and the FNET as "opportunist" and of not operating in the best interest of the students. In response to the call of Corona del Rosal that he wanted facts to back up the charges relating to student deaths, a committee of IPN professors took upon itself the task of investigating reports of missing students. The Agricultural School at Chapingo announced that it was continuing its sympathy strike until student demands were met. At UNAM the Faculties of Science, Law, Philosophy, Political Science and Economics said they would strike along with the IPN students if a strike were called.
- 17. August 7 saw a new call from Director Massieu to the students to return to classes and pursue their demands through established channels. The students meanwhile, renewed their strike threat if their demands were not met. In Oaxaca, the Rector of the University of Oaxaca led a peaceful march in support of the capital students.
- 18. When the deadline of August 8 arrived, the government made no substantial concessions to student demands, so the IPN, joined by several faculties at UNAM, went on strike (which eventually became general). The FNET called for the urban and rural normal schools to join them. The government announced the cancellation of the American pro-football game scheduled for August 11, between the Detroit Lions and the Philadelphia Eagles. Apparently the government had gotten word that a large number of tickets had been sold to students and that they planned to demonstrate and cause disturbances.

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- 19. August 8 was "Streetcleaners Day" and Corona del Rosal used it to deliver his answer to the students. He played up to anti-student feeling among the working class by lamenting the suffering caused them by the students through disruption of public transportation, and the violence done to certain sectors of the public. He blamed the riots on unnamed persons who planned the confrontation between students and police. He called for a return to social peace saying that no one benefited from the disorders. Corona denied the charges of police brutality and violation of university autonomy. At one point in his speech as a means of answering student charges that student deaths had been covered up by cremating the bodies, he asked the graveyard workers and hospital workers present if they had any knowledge of dead students as a result of the riots.
- IPN Director Guillermo Massieu, who had been trying to keep clean of being too involved in the controversy, was placed in the middle of things by a letter from Corona asking him to form a commission to investigate student charges. commission was to be made up of representatives from the students, teachers and government. Corona promised that any police official found guilty, regardless of rank, would be punished in accordance with the offense. The strikers felt that the proposed commission was not an acceptable answer to their demands. Those who were more favorably disposed to the idea objected to the presence of outsiders feeling that only IPN people should be represented. The Consejo Nacional de Huelqa was constituted on August 9 in a student assembly at Unidad Professional de Zacatenco. Thirty eight struggle committees were represented from the different schools of IPN, UNAM, Chapingo, the Normal schools, etc.
- 21. Directors of various schools of IPN also urged students to return to class. The students were never asked, nor would they have agreed, to give up their demands. The student assemblies of the 26 schools of IPN met on August 12 to vote on the recommendation to return to classes or continue the strike. Except for the School of Nursing all of the schools voted to continue the strike and support the merch planned for the following day.

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- 22. For the first time a list of missing, dead and injured students was published. The list had been compiled by the fight committee of the National School of Economics of IPN. Two were listed as dead, six as gravely injured and eleven as missing with the investigation continuing. Excelsion printed an article saying Corona's concessions were insufficient and asked him to document his charges of outside responsibility.
- 23. If the GOM had hoped that the student cause had fractionalized and begun to peter out, the march on August 13 must have been a great source of frustration. The FNET refused to support the strike which only underlined its waning influence and authority among the students. The march, the meeting in the Zocalo, and the subsequent dispersal were all peaceful in spite of an attendance of between 50,000 and 80,000 students (although some newspapers said 150 to 200 thousand).
- 24. The police were kept away from the vicinity of the march. The crowd in the Zocalo heard four speakers who reiterated previous student demands, adding the release of political prisoners. One of the most striking features of the march were the banners attacking Corona del Rosal, Echeverria, Martinez Manatou and President Diaz Ordaz himself. The press of the next morning called it "verbal violence." Other placards had generalized political demands such as a 40 hour week, better housing, etc. There was some labor support but mainly communist and Trotskyite members of the petroleum and railroad workers unions.

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- 25. In an effort to further disaffect public opinion, the press coverage tended to stress the above-mentioned attacks on government officials and to stress the more radical pro-Cuba and communist elements present in the march. This tended to further student dissatisfaction with the "government controlled press." The National Strike Council (CNH) and the Coalition of Teachers Pro-Democratic Liberties who organized the march appeared in a strong position to continue the strike. On August 14, the press announced the arrest the day before of 12 American youths for participating in a political activity. They were all eventually deported.
- 26. The students did not turn out for exams on August 15, and indeed the strike was joined by the University Ibero-americana. The UNAM University Council chaired by Rector Barros Sierra formed a 21 man council of teachers and students to draft demands to be presented to the government and preferably to the President.
- 27. Meanwhile political brigades were being formed by the various strike committees to take their case to the public. IPN Director Massieu sent a letter to Corona del Rosal designating but not/naming the IPN members to the proposed commission. They included three from the National Strike Council and five university professors. The CNH did not drop any of its demands and deemed that the proposed commission should hold meetings open to the public and even suggested they be televised.
- 28. In an attempt at opening the way to a dialogue, Mayor Corona del Rosal met with student groups from IPN and UNAM on August 19. The FNET was represented but the CNH was not in agreement with the composition of the groups and nothing came of the meeting, perhaps another sign of the growing strength of the CNH relative to the FNET. On August 20, a rally at UNAM to which Deputies and Senators had been invited to attend was boycotted by GOM officials.
- 29. Secretary of Interior Luis Echeverria made a renewed call on August 22 for the students to meet with the government. This time the CNH and the Coalition of Teachers agreed to the offer, asking the government to set the place and time for the meeting. However, what at first appeared to be a break in the stalemate did not bear fruit due on one hand to CNH insistence on holding the meeting in a large convention hall with full television coverage, and on the other a lack of vigorous government follow up to the original breakthrough.

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- 30. As a means of continued pressure on the GOM another march was held on August 27. The students prepared for the march by holding "lightning meetings" throughout the city to encourage support from other sectors of the population. Their efforts were largely unsuccessful as no significant numbers of campesinos or laborers joined the march outside of known splinter groups of communists in various unions. The march consisted of some forty to fifty thousand demonstrators who marched down Paseo de la Reforma to the Zocalo where a crowd estimated at 100,000 heard four speakers elaborate on the six student demands. The reiterated demands were: freedom of political prisoners, firing of the chief of police, his assistant and the head of the granaderos, abolition of the granaderos, repeal of Article 145 of the Penal Code (social dissolution), indemnity to families of dead and injured students, and clear definition of the responsibilities of forces of public order.
- 31. An attempt at pitching a camping site in the Zocalo was ended by army and police action with little violence, early in the morning of the 28th. The march was characterized by a large number of posters rudely caricaturizing President Diaz Ordaz, many printed posters of the face of Demetrio Vallejo, and isolated shouts of "murderers" as demonstrators passed the U.S. Embassy where police and army units including tanks were stationed. A few students broke into the Cathedral on the Zocalo, rang the bells, turned on the lights and set off fireworks being prepared for the national holiday of mid-September. The Mexican flag was lowered from the flagpole in front of the National Palace and a red and black flag raised in its place.
- 32. These latter actions were strongly condemned by the press the following day. They also served as a provocation or pretext for a GOM crackdown on the students. President Diaz Ordaz was reportedly shocked by these events and ordered a government offensive against the students on the physical and psychological front. Security forces were authorized to use whatever measures necessary to prevent further student disturbances. The following two days saw clashes in the Zocalo and other parts of the city as public security forces dispersed students. Gunshots were fired in the downtown area and a number of people were injured.
- 33. Originally it appeared the GOM would wait until after the Informe to crack down on the students. Its change in attitude seemed to be caused by: the August 27 march which showed the GOM efforts at dividing and weakening the students were not succeeding; by the vulgar attacks on the President which

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reduced public sympathy that may have existed for the students; by the desecration of the Cathedral which gave the GOM an exploitable emotional issue; and by the threat of students to hold demonstrations during the Informe.

- 34. The Informe itself was, as far as the student issue was concerned, a model of the carrot and stick technique. The President said he would use all resources given by law to maintain order and protect citizens. At the same time he reaffirmed his belief in university autonomy, said he knew of no political prisoners but asked the Attorney General to review pending cases to see if anyone were in jail without having committed a common crime, and asked Congress to hold public hearings on Article 145 of the Penal Code. At the same time the President stated he had been assured by prominent legal advisors that there had been no violation of university autonomy as defined by the rector.
- 35. The immediate effect of the <u>Informe</u> was to produce generous praise by the mass media and division among the strikers. After much agonizing and discussion the CNH issued a statement saying the <u>Informe</u> solved nothing and that they still wanted a dialogue with the government. There were no student demonstrations during or after the <u>Informe</u> but public opinion and government pressure continued to build up against the student strike. On September 4, the CNH again presented its demands to the GOM and suggested a meeting time and place for their discussion. The GOM responded on September 6 with a bureaucratic reply avoiding mention of a meeting, yet maintaining the image of reasonableness and willingness to debate.
- 36. UNAM Rector Barros Sierra issued a call on September 9 to the students to return to classes and continue to pursue their demands through other channels. This caused even further divisions among the students. Some groups met with the rector and expressed their desire to return to classes, but the CNH decided to continue the strike and hold another march. Sympathy strikes in various provincial schools and expressions of support from a group of about thirty priests encouraged the CNH in its attitudes. The response of Governor Sanchez Celis in Sinaloa, a close friend of the President, was to withdraw funds from the state university in Culiacan which had gone on strike and place them in a special bank account which was to be used for those students who "really wanted to study."
- 37. The silent march of September 13, in which an estimated 10 to 25 thousand students participated, came off without even minor incidents of violence.

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There were no pictures of Che Guevara or anti-US placards in sight. There were far fewer attacks on President Diaz Ordaz, with most signs dedicated to expounding the six student demands. There were some labor and campesino groups, all identifiable as small communist factions. The march was significantly smaller than previous ones and reflected the effects of continued government and private pressure against the strike, especially the rector's call to return to classes.

- 38. During the "Grito" ceremonies of the 15th of September and the parade of the 16th, there were no student disturbances or heckling to mar the Independence celebrations. After the mid-September Independence celebrations the CNH, and more specifically Heberto Castillo, began to take a more conciliatory attitude toward settlement of their demands with the GOM. In an interview with the press Castillo suggested the desired student-government dialogue could be in written form and that agreement by the GOM to at least one of the demands might provide a basis for a settlement. Castillo's softened tone was probably caused by realization of flagging support for the strike. Even though students of the various faculties at UNAM voted on September 17 to continue the strike, they were small in number and could not claim to speak for the majority. The students and the government appeared to be drawing nearer on the question of a dialogue but the government continued its warnings against attempts to disrupt the Olympic Games.
- 39. In a surprise move the Mexican Army occupied the National University campus on the evening of September 18. Army tanks, trucks and about 3000 troops entered the university campus and rounded up about 600 students, teachers and anyone else unfortunate enough to be present. The GOM said, through the Secretary of the Presidency, that the university facilities, which belong to the public, had been illegally used and occupied since early August. The GOM was apparently motivated by reports they had received that the students were planning a march on the Olympic Village, plus hopes of rounding up the CNH leaders. The action seemed to be of a preventive nature with the GOM hoping to gain control of the situation before the Olympics.
- 40. UNAM Rector Barros Sierra responded with a statement strongly condemning the action as well as condemning those elements of the university who had misused the university for their own ends. There was general indignation in the academic-intellectual community. The PAN also condemned the action. The PRI and its organized sectors, private enterprise and government sources all approved of the action.

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- 41. Although the round up of suspects and breaking up of student gatherings continued for several days, few of the CNH leaders, professors or students were caught. Eli de Gortari and Marcué Pardiñas being the important exceptions. IPN students refused to respond to official warnings and their buildings were cleared out but almost immediately turned over by the army to administrative authorities of the Secretary of Education.
- 42. When Barros Sierra was criticized by various PRI officials for his stand on the occupation of UNAM, he submitted his irrevocable resignation to the University Council on September 22. In his resignation statement, he deplored the university occupation, the GOM failure to notify him and the personal attacks against him. The rector's popularity, already considerable, took another upward surge. On September 26, the University Council unanimously rejected the rector's resignation and shortly thereafter he revoked his "irrevocable" resignation, saying he would soon ask for removal of troops from UNAM and an adjustment in the school calendar.
- 43. After the army occupation of UNAM hardly a day passed without some sporadic acts of violence. Most serious incidents occurred at the Plaza of Three Cultures on evening of September 21, and at the Casco de Santo Tomas on evening of September 23. Several deaths were reported and large numbers were wounded or arrested. For several days, all student gatherings of any size were broken up, most notably a CNH march which the army prevented from gathering at the Anthropology Museum on September 25 with only minor clashes.
- 44. On September 27, government tactics changed. The CNH was permitted to hold a meeting in the Plaza of the Three Cultures which was attended by about 5000 students. Speakers said the student demands would continue to be pressed, emphasized that they were not against the Olympics and blamed the recent violence on outsiders. In an ad the next day, CNH spokesman Marcelino Perello said a return to class could be voted only by the assemblies of each school.
- 45. In a move designed to conciliate the academic community, Deputy Octavio Hernandez, who had been the sharpest critic of Barros Sierra, resigned as head of a special committee set up by the Chamber of Deputies to study educational reform. He was replaced by Manzanilla Shaffer. During the

afternoon of September 30, army troops were pulled out of the UNAM campus. CNH student groups immediately re-entered the campus and added three new demands to their standing list of six. They called for removal of government authorities from all schools, release of detained students, and an end to all repression. The same day a low key "Mothers March" of about 3000 proceeded from the Monument to Mexican Mothers to the Chamber of Deputies, where speakers urged the students to continue their struggle.

- 46. On October 2, the CNH held a meeting at the Plaza of Three Cultures with the intention of marching on the IPN schools at the Casco de Santo Tomas. The meeting, reportedly attended by 5,000 to 10,000 people, was peacefully listening to speeches when the army moved in with the apparent intention of arresting the CNH leaders and breaking up the meeting. Versions differ as to whether the first shots came from the Plaza or from the nearby Chihuahua Apartment Building and as to whether they came from the students or from the agents of law enforcement but chaos immediately erupted in the Plaza. What followed was the bloodiest incident since the student disturbances began in July. At least forty, and unpublished estimates say that five times that many werekilled, 400 to 500 were wounded and over one thousand five hundred were arrested. Many pistols, rifles with power scopes, automatic weapons and Molotov cocktails were captured in the round-up after the shooting was over. In the day following the Tlatelolco massacre only minor acts of violence took place, several buses were burned, a sniper killed a passerby in the Tlatelolco area, and an aqueduct was dynamited near the Viaducto but only slightly damaged.
- 47. Avery Brundage issued a statement on October 3 on behalf of the International Olympic Committee saying he believed the student problem would not interfere with the Games since no violence had been directed against them at any time. He also expressed his faith in the GOM's ability to maintain order and in the "sportsmanship and hospitality" of the Mexican people.
- 48. The PRI passed a resolution through the Chamber of Deputies on October 5 backing GOM action during the student disturbances. The resolution was opposed by the PPS and PAN. The same day the CNH made its first announcement since the October 2 violence when it blamed the GOM for the incident and said dialogue with the GOM could not begin until three basic demands were met; respect for the Constitution, release of all students and an end to all repression.

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- 49. Ex-president Lazaro Cardenas issued a statement on October 6 deneuncing the intervention of "anti-national and foreign forces" in the student conflict. He called on all Mexicans to end violence and resolve problems within an atmosphere of reason, justice and understanding. He was not specific about who the "foreign elements" were. The CNH held a press conference to insure the public that they would not hold anymore off-campus meetings, would not disrupt the Olympics (which they said they never intended to), but would continue to press for satisfaction of their demands. The same day 755 persons were released who had been detained during the October 2 round up.
- 50. Principal headlines, however, went to captured student leader Socrates Amado Campos Lemus. Socrates made declarations before the assembled press in which he implicated writer Elena Garro, ex-politicians Carlos Madrazo, Braulio Maldonado, and Humberto Romero as having aided in one way or another the student movement. He also mentioned the Director of the Colegio de Mexico but did not know the person's name. Although the charges appealed to many peoples' desire to blame the student unrest on a conspiracy, there in fact was little or no factual evidence to back up the charges. Socrates himself admitted a few days later that his story was based on rumor. He also said the CNH had been split between hardliners wanting to overthrow the GOM and moderates who wanted to reach a settlement. He also claimed that "security columns" had been formed to protect the strike leaders at Tlatelolco and said they were armed.
- 51. Vigorous public denials were issued the following day by all those persons denounced by Socrates Amado Campos. Elena Garro, who is known to the Embassy as a very unstable person, not only denied charges against herself and Madrazo but used the occasion to charge UNAM Rector Barros Sierra, Jose Luis Ceceña, Leopoldo Zea, Jose Luis Cuevas, Jose Escudero, Carlos Monsivais and others as intellectual authors of the student rebellion.
- 52. Five Mexicans were arrested in the state of Veracruz who had planned on carrying out guerrilla warfare in the state of Tabasco. An Argentinian Silvia Olivares (aka Judit Vazquez) hijacked an Aeromaya plane and told the pilot she was fleeing to Cuba to escape prosecution for her part in the Tlatelolco incident of October 2. Fourteen foreigners were reported to have been arrested but no Americans were directly implicated in the Tlatelolco incident. In searching the buildings on October 5 the Army found numbers of rifles and pistols of various caliber, rifles with telescopic sights, as well as all of the ingredients for making Molotov cocktails.
- 53. Carlos Madrazo held a two hour press conference on October 7 and denied having played a role in the student unrest; he expressed his willingness to

appear before the Attorney General to answer charges. He used the occasion to criticize the GOM indirectly by calling for political-social reforms to lessen the alienation of youth, but expressed his support for the President. Carlos Martin del Campo and Sergando Davila Jimenez confessed to the Attorney General to trying to blow up an aqueduct on October 3. They also admitted taking dynamite to Tlatelolco on October 2 but claimed they didn't use it for fear of a massacre.

- 54. CNH spokesman Marcelino Perello denounced Socrates Amado Campos as a CIA agent and said all political prisoners had started a hunger strike. Fifteen persons were formally arraigned for federal crimes (sedition) and 98 were arraigned for common law crimes. The vast majority of those detained in Tlatelolco and not formally arraigned were set free by October 10. A surprising announcement was made by Jorge de la Vega and Andres Caso, GOM representatives who had been meeting with members of the CNH since September 28. They said the heterogeneity of the student representation had made the talks difficult but they hoped for positive results.
- 55. The 19th Olympiad was inaugurated on October 12 without an incident to mar the perfect day. The student conflict settled into the background as the students and public concentrated on the Olympic events.
- 56. This airgram does not deal in any detail with disturbances in the states because they were almost always peaceful and depended mostly on developments in Mexico City, although it must be added that many state campus' not now on strike have stated their continued support for the capital students and their cause.

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By C NARA Dateloio

AMERICAN EMBASSY

MEXICO, D. F.

Memorandum of Conversation

S- Poi- 23-8
Students
XPOL-6-Tomourous

DATE: October 22, 1968

SUBJECT:

Student Disorders

PARTICIPANTS: Victor Torres Arriaga, Instructor in Political Science at UNAM

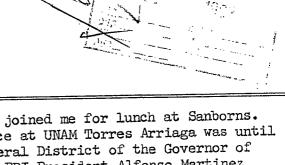
Robert E. Service, Political Officer

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- 1. At my invitation Victor Torres Arriaga joined me for lunch at Sanborns. Currently an instructor in political science at UNAM Torres Arriaga was until September 15 the representative in the Federal District of the Governor of Durango. He has recently had feelers from PRI President Alfonso Martinez Dominguez to devote time to the work of the Institute of Political, Economic and Social Studies (IEPES) headed by Jorge de la Vega Dominguez. In his capacity as instructor and part-time graduate student (he is completing his thesis) he has frequent contact with students.
- 2. Torres Arriaga believes that the student movement which dominated capital life in the months before the Olympics is going to break out with renewed vigor as soon as the games are past. He says he has never seen the students so determined or unified. He cited a recent vote at a student meeting where 80% agreed that they would continue the struggle even if it meant losing not just one but five years of study. The bloodshed of October 2 has not frightened them into quiescence.
- Torres Arriaga, with most others, believes that the Government has handled the student crisis poorly. But whereas many others focus their criticism on the amount of force used (too much, too little) and the timing with which it was used, Torres Arriaga prefers to ascribe Government mishandling to a pervading, but unnecessary, fear of letting the students have a truly independent political existence. He sees freedom of organization and expression as the overriding issue (the six demands are tactical devices to gather support) and, accordingly, believes that Government willingness to accept independent student politics offers the only sure way out of the present crisis. He argues that members of the National Strike Council (CNH) should be given assurances against arrest or

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harassment and that they should be encouraged to operate openly. He sees no future whatsoever for AMD's announced intention of strengthening PRI influence in student ranks. But he sees no immediate danger to PRI political control resulting from the abandonment of the student sector to its own devices. He professed to know of no case in which student activists, even those who had led strikes and declared their total dedication to a martyr's cause, had not made their peace with the "system" within two years after leaving student ranks. As an example of excessive Government fear with regard to the students, Torres Arriaga cited the fact that no student newspaper is permitted to publish epenly and without controls.

- 4. Torres Arriaga, while arguing for a less fearful approach to student problems, admits that more is involved than the simple determination to act independently of Government control. He accepts the idea that many, if not a large percentage, of the students seek radical change in Mexican society. He attributes this in part to very real concern on the part of students about their job prospects once they are out of/university. Despite Mexico's rapid rate of growth job opportunities are not keeping pace with the demand. He touched briefly on the standard criticism that there are too many lawyers, but had little comment on the prespects for educational reform.
- 5. Torres Arriaga discounted the influence of student unrest in other countries on the Mexican scene. Likewise, he does not think that the events of recent months represent or indicate a significant break with previous patterns of student protest in Mexico.

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Department of State TELEGRAM

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R 292135% OCT 68 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 8117

CONFIDENTIAL SECTION 1 SE 3 MEXICO 7830

SUBJECT: ANALYSIS AND IMPLICATIONS OF STUDENT DISORDERS

REF: STATE 254890

- 1. SUMMARY BEGINS. MOST IMPORTANT CONCLUSION IS THAT TO DATE MEXICAN STSTEM HAS STOOD UP WELL UNDER STUDENT ONSLAUGHT. TRADITIONAL IMAGE OF STABILITY MARRED BUT STUDENTS: RECEIVED LITTLE SUPPORT FROM OTHER SECTORS. REPRESENTATIVE NATURE OF STUDENTS INVOLVED HARD TO ESTIMATE! MASS STUDENT INVOLVEMENT IN FEDERAL DISTRICT TO LARGE DEGREE CONSTITUED REACTION TO GOM TOUGH TACTICS.
- 2. POST-OLYMPIC COURSE DIFFICULT TO FORESEE. GOXT HAS MADE NEW ENEMIES, LEFT ENCOURAGED BY PRE-OLYMPIC SUCCESSES. ON OTHER HAND, GOM CAN ACT WITH MUCH GREATER FLEXIBILITY WITHOUT OLYMPIC DEADLINE. GOM SEEMS DISPOSED TOWARD MODERATION BUT IS KNOW TO BE WORRIED ABOUT SOTDENT RESURGENCE AND MAY MOVE TO HARSHER POLICIRS IF STUDENTS DO NOT RESPOND.
- 3. POLITICALLY9 STUDENT DISORDERS HAVE BROUGHT AT LEAST TEMPORARILY SHIFT TO RIGHT AS ARMY PLAYING GREATER ROLE. NEW DAMPER PUT ON EXTENDING SCOPE OF DISSENT. SOME RRESIDENTIAL PRE-CANDIDATES MAY ALSO HAVE SUFFERED POLITICALLY. HOWEVER. BASIC PRI STUCTURE NOT SHAKEN AND. IF TEADITION HOLDS. GOM MAY MAKE SOME BALANCING MOVE. NOT NECESSARILY IN STUDENT AREAN TO PLACATE LEFT WING OF ESTABLISHMENT.
- 4. LONG TERM EFFECTS DEPEND ON HOW MUCH FURTHER AGITATION: GOES AND HOW IT ENDS. GOM ALREADY TAKING MORE SERIOUS LOOK



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PAGE 02 MEXICO 07830 01 OF 03 300526Z

AT EDUCATION REFORM, MAY TAKE HARDER LOOK AT ROLE OF LEFT, ESPECIALLY NEW LEFT, ON CAMPUS AND MAY IMPROVE ITS: INTELLIGENCE ABOUT CAMPUS MOODS, BUT PROSPECTS OF WINNING GENERALI STUDENT SUPPORT ARE SLIM. MORE GENERALLY, STUDENT UNREST MAY REPRESENT WARNING THAT REGIME FACES NEW TESTS OF ITS: PREVIOUSLY DEMONSTRATED SKILL IN COMBINING CONTROL WITH FLEXIBILITY AS MEXICAN SOCIETY REACHING POINT WHERE CONTROLS OF PAST NOT EASILY ACCEPTED BY NEW GENERATION AND WHERE PROBLEMS: WHICH HAVE BEEN SIDETRACKED IN INTERESTS OF INDUSTRIALIZATION NOW MAKING THEIR APPEARANCE. END SUMMARY.

5. GENERAL CONCLUSIONS, EMBTEL 5481 OF 14 JUNE 1968 PROVIDED GENERAL ASSESSMENT OF SITUATION IN MEXICO WHICH, IN OUR VIEW REAMINS VALID.

6. PERHAPS MOST IMPORTANT CONCLUSION TO BE DRAWN IS THAT TO DATE POLITICAL-SOCIAL SYSTEM HAS STOOD UP UNDER STUDENT ATTACK VERY WELL: NOTWITHSTANDING INTENSIVE STUDENT EFFORT INCLUDING USE OF LEAFLETS AND "FLYING BRIGADES" SEEKING TO ENLIST PUBLIC SUPPORT: LABOR AND CAMPESING LEADERSHIP STOOD FIRMLY IN SUPPORT OF THE GOVERNMENT AND EROSION OF RANK AND FILE FROM LEADERSHIP WAS INSIGNIFICANT WITH EVIDENCE AT HAND, IT IS DIFFICULT TO VIEW THESE IMPORTANT SECTORS AS SEETHING WITH DIS-CONTENT. URBAN POOR LIKEWISE REMAINED APART FROM THE STUDENT MOVEMENT. THERE WAS SOME EVIDENCE OF MIDDLE CLASS SUPPORT BUT THIS WAS NEITHER ORGANIZED NOR ON LARGE SCALE. UPPER CLASSES -- BUSINESS, FINANCIAL INDUSTRIAL COMMUNITY WERE GENERALLY BEHIND HOVT. FINALLY, POLICE AND MILITARY SHOWED NO WAVERING IN THEIR LOYALTY WHILE SOME OF MORE EXTREME STUDENTS TALKED OF REVOLUTION, IT CAN WELLIBE ASKEDS IF REVOLUTION, BY WHOME? THE STUDENTS, ALONE, LACKI STRENGHT IN MEXICO SERIOUSLY TO THREATEN STABILITY OF GOXTO

7. THOUGH IMAGE OF STABILITY MARRED, STUDENT DISTURBANCES:
DID NOT SHAKE BASIC ELEMENTS OF MEXICAN REGIME. GOM AND
PRI CONTINE TO HOLD MAJOR LEVERS OF POWER IN THEIR! HANDS.
CRITICISM OF GDO MAY HAVE BROKEN ICE: ON SACROSANCTITY OF
OFFICE, BUT NO ONE IS CHALLENGING PRESIDENTIAL SYSTEM AND SIX
YEAR LIMIT ON PRESIDENTIAL TERM MAY KEEP CRITICISM FOCUSED
ON INCUMBENT RATHER THAN SYSTEM. CRITICISM AND DISCONTENT,
WHICH ARE ALWAYS PRESENT IN ANY COUNTRY, DO NOT EQUATE TO
REVOLUTIONARY PRESSURES, AND MOST PERSONS CRITICAL OF GOVT

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PROBABLY WOULD NOT WANT TO SEE IT OVERTHROWN AND PROBABLY WIL VOTE FOR PRI IN NEXT ELECTION. AFTER SIX DEMANDS, APPEALS OF STUDENTS ARE SO GENERAL IN NATURE AS TO SUGGEST THAT THEY HAVE NO SPECIFIC ALTERNATIVE IN MIND. AND EXCEPT FOR THOSE CALLING FOR REVOLUTION, MOST CALL MERELY FOR BETTER OPERATION OF SYSTEM IN BEING. DISSATISFACTION WITH PUBLIC ORDER FORCES, WHICH IS INEVITABLY PRESENT, PROBABLY HAS INCREASED AND ANTI-POLICE FOCUS OF STUDENT DEMANDS PROBABLY HAS CONSIDERABLE SYMPATHY. HOWERVER, THIS BALANCED BY FEAR WHICH HAS BEEN ENGENDERED BY ACTIONS OF THESE FORCES. SOME CAPITAL OUTFLOW AND POSTPONEMENT PLANNED INVESTMENTS EVIDENT BUT DID NOT REACH SERIOUS PROPORTIONS, AND DAMAGE PROBABLY NOT PERMANENT IF SITUATION RETURNS TO NORMAL.

8. ANALYSIS OF STUDENT MOVEMENT. WHILE IT IS
APPARENT THAT STUDENT MOVEMENT RECEIVED LITTLE ACTIVE SUPPORT
FROM OTHER IMPORTANT SECORTS OF POPULATION, IT IS DIFFICULT
TO ESTIMATE EXTENT TO WHICH MOVEMENT WAS INDICATIVE OF OR
RESPONSIVE TO ATTITUDES WIDELY HELD BY MEXICAN YOUTH IN
GE ERAL OR EVEN BY STUDENT POPULATION. STUDENT POPULATION.
IS, OF COUSE, ONLY SMALL FRACTION OF MEXICAN YOUTH, AND TO
DATE THERE HAS BEEN LITTLE EVIDENCE THAT REST OF MEXICAN YOUTH
VIEW STUDENT STRIKE LEADERSHIP AS THEIR SPOKESMEN. SUPPORT
BY STUDENT GROUPS IN SCHOOLS OUTSIDE MEXICO CITY HAS: BEEN
WIDESPREAD GEOGRAPHICALLY BUT HAS NOT HAD AS GREAT IMPACT AS
THAT GENERATED IN THESE SHOOLS BY LOCAL ISSUES AND TO CONSIDERABLE
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November 1, 1968

OFFICIAL-INFORMAL

The Honorable Henry Dearborn Minister Counselor American Embassy Mexico, D.F.

Dear Henry:

This will probably be my last letter before the results of the elections turn our attention to a new range of problems. The polls printed today indicate the two candidates are virtually even, which heightens interest in the race. It is notable how the news of the bombing halt, added to that about the election, has made the impressive Olympics fade so rapidly.

In reviewing the recent work of this office it appears that there has been a marked slackening of the pace which has been normal for the past thirty months. In looking around for reasons, it appears that the slow-down is at least partly due to the fact that a number of major issues are quiet or resolved: Claims, Colorado and Rio Grande salinity, Mexicanization, and cotton textiles. The backlog of work resulting from the Presidential meetings is now largely worked off and A.I.D. matters are fewer and of less importance. With our leaner staff we ought to be able to respond with greater agility as problems arise. In addition to all the reasons cited above, certainly a major factor in the slower pace is the fact we are in the final months of an administration.

GROUP 3

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In the time remaining before the new administration takes office, I would like to see the detached tracts, the broadcasting agreement, the Juarez statue, and possibly the cultural agreement all concluded. That is certainly an optimistic list. On the horizon I can see arising problems involved in the alteration of the "green card" practice -- by court order, by Congress, or both -issues about the protection of U.S. citizens -- more conflict over Article 33 and arbitrary police practices -and problems arising from Mexican efforts to reduce their current account payments deficit. CODAF may survive if the Democrats prosper, but with or without CODAF our border problems are not likely to decline. I suspect that the requirements for narcotics control may demand that we come up with some sort of subsidy or grant for the Mexican narcotics control authorities. This will take some ingenuity in the current climate for foreign assistance.

On the personnel side, I expect that a number of new requirements will emerge when the results of the election become known, or at the latest by the time this year's promotion list is announced. As it appears that Mexico may be in for some problems in the balance of payments and foreign financing fields, I am renewing my efforts to assure that the Economic Section will be adequately staffed.

If the political situation quiets down as the most recent Embassy reports suggest it may, perhaps the intense interest of the Washington intelligence community in Mexican developments will abate. I am currently negotiating for agreement to send you a copy of a Memorandum produced by CIA's Board of Estimates on the implications for Mexican political stability of the student disorders. As the subject might imply, the paper is rather pessimistic and it was so controversial in the Board's discussions that it was put out only as a memorandum to stimulate discussion rather than a more formal product. The other manifestation of interest in Mexican politics is the scheduled visit of Bob Cross who will be traveling with the blessing of the White House to look into youth activities and programs. Mike Yohn will have further details on the Cross group's plans.







I am very much looking forward to my visit in December which will mean much more to me than did my orientation visit last year when I was barely acquainted with the individuals and issues in our relations with Mexico and the operation of our Mission. The CODAF Meeting is once again scheduled for December 5-6 and I am re-checking to see if Covey will attend.

Finally, I would like to add my own deep appreciation for the excellent way in which you all handled the multitude of demands on you occasioned by the Olympics. We are all aware that you did a very fine job.

With best personal regards,

Sincerely,

Maxwell Chaplin Country Director Office of Mexican Affairs

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34	344	3	FOR STUDENT UNREST GROUP					
T	17	1	Generalizations on Student Unrest (Enclosure 1)					
sc								
6		N.	1. We concur on basic points with the analysis of student					
6 3			unrest contained in Enclosure 1 to CA-10592. We find no generalization that is clearly inapplicable in the Mexican					
w.	*		context, although the peculiarities of the Mexican social					
ã	ED 4		and political systems, the intermediate development stage in	n				
Ю.	COPYFL0-PBR		which Mexico finds itself, and the historical tradition of					
_	μγ	,	student protest which Mexico shares with other Latin America					
3	ວ		nations have combined to give Mexican student unrest a somewhat different cast, and reception, than has been the case					
1968			the U.S. and other more advanced countries.	T11				
•								
			2. Mexico has a long history of student activism. More					
			often than not this protest has been directed against or in					
			support of the university structure (removal of a rector, protest against dismissal of professors, the issue of					
		autonomy), toward local issues (an increase in bus fares,						
		theaters refusing to give student discounts) or onto the						
			international plane (Cuba, Viet Nam, the Dominican Republic).				
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Only infrequently, since the Revolution, have students directed their protest against the Government or, even less, against the system by which Mexico is governed. Yet, in the recent student disturbances in Mexico City many see evidence of more generalized and profound dissatisfaction with the established order.

- Modern Mexican politics derive from a social revolution which captured and retains the support of the vast majority of Mexicans. The inheritor of the revolutionary tradition. the Partido Revolucionario Institucional (PRI), has been able to capitalize on the accomplishments and mystique of that tradition to maintain itself in complete political control for almost forty years. That there has been significant economic and social progress is beyond dispute. But it is equally apparent that there have been wide discrepancies between the rhetoric of democracy and the facts of one party control, between the professed dedication of PRI leaders and numerous acts of venal self-interest, and between the Government's promises and its accomplishments. In short, there are many reasons why students might doubt both the sincerity of national leaders and the appropriateness of their policies. And their doubts find sympathetic, if usually passive, hearing in a sizeable portion of the population. Mexican students share idealism and distrust of their elders with students elsewhere in the world. Less apparent in the Mexican context is that "students today reject position in society as a conscious value" or that they are the products of affluence and permissiveness who, as a consequence, no longer respect the goals and values of their parents.
- 4. The relative importance of politics as a career ladder, comparing Mexico with more economically advanced countries, and the one-party-dominant political system create unusual conditions for student unrest. One suspects that much of the student unrest in the U.S. and Europe is anti or apolitical in nature. Protesters have no intention or desire to enter politics themselves, even were the system completely reformed. Anarchistic and apolitical elements are also present in Mexico but we believe they encompass a much smaller percentage of active participants. Student leadership has traditionally

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been a path to professional politics which, to a continuing high degree, can be equated with PRI politics. There is no alternative party that is congenial to student views and that promises significant access to power. The overpowering position of the PRI discourages hopes for a new party, formed by any other means than a split in PRI ranks. This may be what many hope for (Carlos Madrazo, ex-President of the PRI, is periodically reported to be considering such a move) but this in itself would imply a degree of system acceptance. Mexican student leaders are aware that their political futures, at least for the next 5 - 10 years, will most probably depend on their relationships with the official party. That realization may not noticeably dampen their ardor for change as long as they are functioning as student leaders in a protest situation, but it does make them more susceptible to official blandishments once they leave the student ranks.

- 5. Not only does the typical Mexican student leader have more vital political ambitions than his U.S. counterpart, but there is also a tradition of professional politician interest in student affairs, with student movements often the creature of behind-the-scene politicians. Twenty years ago student politics were rigidly controlled as an appendage to the official party. The PRI still has its youth movement, but student control in recent years has been less direct and considerably less reliable. However, many student leaders have lines of communication with individual politicians and, conversely, the temptation is strong for professional politicians to cultivate the student sector a temptation that will be even stronger when the 18 year old vote proposal becomes law. The protegé system is an important feature of Mexican political life and many of the organizational and leg-work type jobs, that in the U.S. would be performed by citizen volunteers out of a sense of public duty, are, in Mexico, performed by the young, aspiring politicians. It is not uncommon for them to hold important party and elected positions.
- 6. The Mexican tradition of close working relationships between professional politicians and student leaders, the long-term political interest of many of those leaders, and the fact that students, even without the vote, have long been a significant pressure group in Mexican society make present student unrest seem less novel and, perhaps, less a cause for alarm. Unrest is not a "fad" so far as the Mexican students are concerned. And Mexican society in general has had ample experience in the various techniques (concessions, repression, cooptation, etc.) for handling student ferment.

Julied!

7. While student activism is nothing new in Mexico there are some indications that the events of recent months in Mexico City mark a departure from previous patterns. From 1963 to mid-1968 there were in Mexico forty instances of significant student unrest. Twenty-three of these protest movements were directed toward various aspects of university administration, eight dealt with problems peculiar to the locality of the university involved, six were in support of Cuba or against U.S. policies in Viet Nam and elsewhere, and only three had as primary demands issues related to the political control system. In Sonora in 1967 students protested against the PRI's choice for governor and the manner of his selection. In Tabasco in 1968 students mounted a sizeable

movement to oust the governor of the state. In the Federal District, also earlier this year, communist-led students demanded the release of political prisoners. The six demands formulated by the National Strike Council (CNH) in connection with the most recent student protest movement in Mexico City ignore entirely university or foreign policy issues. It might be argued that the demand for dismissal of police officials and the disbandment of the riot police are local issues related to specific instances of over-zealous use of force. But viewed in context with other demands -- the release of political prisoners, the elimination of the article in the penal code dealing with the crime of "social dissolution" -- it is quite reasonable to argue that the thrust of student activism has moved onto a new plane and that students are now more interested in basic reforms than in resolving specific grievances. In this we believe that Mexican student unrest is drawing closer to the pattern exhibited recently in the U.S. and Western European countries. We do not yet see the same degree of student alienation as is present in the advanced countries, or in those with basically unpopular governments, but the trend for the time being is in that direction.

- 8. It is perhaps noteworthy that in none of the cases of student unrest mentioned above have the announced aims of the students included issues of direct interest to the labor or campesino sector. This may reflect the fact that there is little sympathy between students and campesino or labor youth who tend to look upon students as a privileged and pampered group.
- 9. The characterization of attitudes toward the U.S. and the Soviet Union are fairly valid for the Mexican student. A 1964 USIS sponsored study of the opinions of university students in Mexico (prepared by International Research Associates S.A. de C.V.) makes it clear that they are most valid for those students who rate themselves as "very interested in politics." But, whether because anti-Americanism has been around so long that it has become passé, or because the Government takes pains to control possibly embarrassing incidents, anti-U.S. demonstrations of recent years have drawn minimal support. It might be argued that the fact that many Mexicans have visited or worked in the U.S. has permitted them to learn of the good points of American society. We judge that the present standing of the Soviet Union in Mexican student eyes is quite low. It still may be preferred to the U.S. on ideological grounds by many of the more active students, but a substantial proportion of these have now shifted their primary allegiance to the Cuban or Chinese models of communist development. In their eyes the differences between the U.S. and the Soviet Union are diminishing.

General Action Recommendations on Student Unrest (Enclosure 2)

10. We concur fully with the tenor of Enclosure 2, and most particularly with the statement "that there is little that the U.S. Government can or should do about student unrest." The closeness of the U.S., the traditional Mexican fear of U.S. domination, rule out direct U.S. initiatives and make even indirect actions (encouragement to foundations and private groups) of doubtful usefulness. The Department is doubtless aware of the charges and rumors that the CTA and FBT) were involved in the recent student disturbances even, according to some reports, playing the role of instigators. While we may smile at the twisted logic that could lead to such a conclusion, it is a fact that some

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Mexicans involved with student affairs have been reluctant to maintain their Embassy contacts.

11. What little influence the U.S. may have on the course of student unrest will depend in large part on the willingness of Mexicans, and particularly the students, to seek our advice and assistance. And it is hard to escape the conclusion that such interest in our ideas and mechanisms will depend on how well we succeed in solving our own student problems. As in the spread of student unrest the force of example may be a more potent means for amelioration than external or calculated design.

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CONFIDENTIAL SECTION 2 OF 2 MEXICO 7920

SUBJ: CONTINGENCY - SCENARIOS

REF: STATE 254890 AND EMBTEL 7830

MAJOR ACTUAL OUTLAYS TO NEXT ADMINISTRATION OR ELSE INSTITU-TING REFORMS WHICH WILL PERMIT FINANCING OF REFORMS WITHOUT NOTABLE INFLATION OR SUBSTANTIAL ADDED BORROWING.

9. WITH SUCH APPROACH, NO SPECIAL US RESPONSES NEED BE ENVISAGED BEYOND THOSE DESCRIBED ABOVE, ESPECIALLY REGARDING CENTRAL BANK COOPERATION TO AVOID APPEARANCE OF BOP CRISIS.

ALTERNATIVE THREE: MORE VIOLENCE.

- 10. THIS CONTINGENCY SUGGESTS GREATER RELIANCE ON FORCE WITH ENHANCED POSSIBILITY OF GREATER POLARIZATION ON MEXICAN POLITICAL SCENE.
- 11. PRESSURES ON PRESIDENT WOULD INCREASE FROM LEFT TO ADOPT POLICY OF CONCILIATION AND CONCESSION TO STUDENTS AND TO MORE IN DIRECTION BROAD PROGRAM REFORMS AND FROM RIGHT TO RELY ON POLICY OF REPRESSION. WHILE OUTCOME THIS INTERPLAY OF PRESSURES UNCERTAIN. EMB BELIEVES THAT TEMPERAMENT OF PRESIDENT WOULD PREDISPOSE HIM TO MEET VIOLENCE WITH FORCE. THIS WOULD REQUIRE INCREASING RELIANCE ON MILITARY WHOSE



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INFLUENCE WOULD ACCORDINGLY INCREASE, AS WOULD THAT OF EXTREME RIGHT WHICH TENDS TO FAVOR HARD LINE. SITUATION WOULD CREATE DILEMMA FOR DIAZ ORDAZ. ON ONE HAND HE HAS NOT SHOWN HIMSELF WILLING TO MAKE CONCESSIONS UNDER PRESSURE OF VIOLENCE. ON OTHER, HE IS NOT ONE WHO WOULD WELCOME UPSET OF TRADITIONAL BALANCE BETWEEN RIGHT AND LEFT, WHICH HAS PRODUCED STABILITY IN MEXICO. OR MILITARY ASCENDENCY IN GOVT.

IZ. RESOLUTION OF THIS CONFLUENCE ON CONFLICTING PRESSURES WOULD OF COURSE HAVE DIRECT BEARING ON WHAT U.S. COULD OR SHOULD DO. THERE IS POSSIBILITY GOM WOULD FEEL NEED TO TAKE POSITIVE STEPS TO RESTORE SHAKEN CONFIDENCE AT HOME AND ABROAD. US SHOULD THUS BE PREPARED TO CONSIDER FURTHER FINANCIAL SUPPORT INCLUDING FOR EXAMPLE RE-INSTITUTION EXIMBANK \$90 MILLION LINE OF CREDIT TO BOM AND, SUPPORT FOR NEW LOANS FROM IDB AND IBRD. US MIGHT ALSO CONSIDER RELAXING FED RESERVE RESTRUCTIONS ON COMMERCIAL BANK CREDIT, GRANTING SPECIAL AUTHORIZATIONS IN IMPORTANT CASES INVOLVING DIRECT FOREIGN INVESTMENTS ON MEXICO, AND EVEN RESUMING AID LENDING IF THESE STEPS WERE DEEMED HELPFUL BY MEXICAN AUTHORITIES.

13. BEYOND THREE CONTINGENCIES DISCUSSED ABOVE. POSSIBILITY
EXISTS THAT STUDENT AGITATION AT SOME POINT WILL RECEIVE
SUFFICIENT SUPPORT FROM OTHER SECTORS TO CREATE SERIOUS
PROBLEMS FOR GOM AND PRI. THIS COULD CREATE CLEAR AND PRESENT
THREAT TO POLITICAL STABILITY AND CAUSE SERIOUS ECONOMIC:
REPERCUSSIONS. POSSIBILITY OF OVERTURN OF GOVT EITHER FROM
LEFT OR RIGHT WOULD RISE AS WOULD QUESTION OF DESIRABILITY OF
US SUPPORT FOR PRESUMABLY UNPOPULAR GOVT. EMBASSY CONSIDERS
SUCH DEVELOPMENT UNLIKELY WITHIN NEXT FEW YEARS AND RANGE
OF POSSIBILITIES TOO GREAT AND SPECULATIVE FOR USEFUL DISCUSSION
AT THIS TIME. FREEMAN

U.S. DEPARTMENT OF STATE

DIRECTOR OF INTELLIGENCE AND RESEARCH

Research Memorandum

RAR-30, November 7, 1969

Τo

The Acting Secretary

Through: From

S/S

INR - Ray S. Cline

Subject: MEXICO: Ruling Party Faces Challenge in State Elections

Opposition political parties have usually provided little contest for the ruling Institutional Revolutionary Party in Mexico, but the National Action Party will offer a serious challenge in gubernatorial elections scheduled in Yucatan for November 23. This memorandum reviews the setting of the election and suggests some consequences the election may have on Mexican politics.

ABSTRACT

The ruling Institutional Revolutionary Party (PRI) faces a stiff battle from the opposition National Action Party (PAN) in elections in the state of Yucatan on November 23. Depressed economic conditions, a series of poor PRI state administrations, and growing urban and rural voter disaffection with the PRI combine to give the PAN the chance to make an unusually strong showing. The PRI has taken positive steps to brush up its image in the state and might be able to pull the election off. If the PAN does win, the PRI and the government will have to decide whether to cede the state administration to the PAN.

The Yucatan election has more than local significance. One-party dominance by the PRI has served Mexico well, but the PRI's claim to represent the basic sectors of Mexican society becomes open to question if it is repudiated by substantial numbers of voters whose interests it is theoretically designed to represent. Regardless of the outcome of the election, a strong showing by the opposition may well lead some PRI leaders to reexamine their party's

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On November 23, voters in the state of Yucatan will elect a new governor. This election will be of more than usual interest because the ruling Institutional Revolutionary Party (PRI) faces a stiff battle from the opposition National Action Party (PAN). The PRI would be particularly loath to falter in an election at the state level at this time since a reversal would deflate the momentum of its nationwide campaign to elect Luis Echeverria as president of Mexico in July 1970. This is not to say that the PRI is in danger of losing the national election. But a PAN victory would jeopardize the PRI's goal of mobilizing the traditional overwhelming popular endorsement of its candidate. Furthermore, since the PRI considers itself the custodian of the aspirations of the masses of Mexicans, the possibility that significant numbers of the voters in a state might repudiate the "party of the revolution" could cause the PRI to reexamine its responsiveness to the needs of today's Mexico.

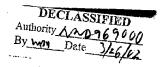
Genesis of the Challenge

The PAN has an urban, middle class following. Its political philosophy at present does not differ markedly from that of the PRI. The first PAN presidential candidate in 1952 received about 8% of the vote. Its last presidential candidate in 1964 received 11%. The PAN has never won a governorship and has rarely succeeded in electing state deputies. However, a number of factors which have been maturing over the years in Yucatan have combined to make the PAN a serious rather than pro forma opposition in the November elections.

Yucatan has been an economically depressed area for years, and prospects for improvement are dim. Popular frustrations work to the disadvantage of the "ins" and give an uncommon edge to the "outs".

Yucatan's major industry is the growing of henequen (a kind of sisal). The government controls the credit and marketing facilities for this crop and thus is intimately involved with the economic well-being of the many individuals engaged in the industry. Due to the depressed condition of the henequen market, income has been low. The government, in fact, has been subsidizing the industry. But the government has come to be blamed for not improving living standards rather than praised for keeping them at, or slightly above, the subsistence level.

Yucatan is isolated to a considerable degree both geographically and culturally from Mexico. Yucatecans have come to feel that they are far from the hearts and minds of the movers and shakers in the PRI-government complex in Mexico City. This estrangement has made it easy for them to transfer dissatisfaction over their economic stagnation to the state PRI establishment which they consider to be more responsive to Mexico City than to themselves.



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The PRI, aware of this regionalist sentiment, has usually picked gubernatorial candidates with local connections. Unfortunately, a series of recent PRI governors, including the present incumbent, have given Yucatan a legacy of corrupt (even by Mexican standards) and inefficient administration. There appears to be good reason for Yucatecans to be anti-PRI, if not pro-PAN.

The PRI Machine in Yucatan

A middle class grateful that the Revolution delivered power into its hands, a passive peasantry, PRI organizational techniques, and government support have in the past forged a political machine which proved unchallengeable. Owing to a lack of industrialization in the state, the PRI did not have the large disciplined labor vote that it enjoys in other states, but its past ability to deliver the peasant vote more than met party needs.

Now, however, with the Revolution long past, the urban middle class seems more interested in effective government and less impressed with the fact that political power is in the hands of a few of its members. Many in the urban middle class are economically independent of the PRI-government complex and feel they have more to lose than gain from corrupt government. Disaffection with the PRI machine was underlined in 1967 when a PAN candidate was elected mayor of the state capital city of Merida by a three to one yote.

Trouble has also been brewing for the PRI in the countryside. Economic stagnation has provoked peasant demonstrations against the government henequen control mechanisms, government officials and the PRI. An erosion of PRI control over the peasant vote could be decisive in the election.

PAN Strength

Victor Correa Racho, the PAN's victorious mayor in the 1967 Merida municipal elections, has been selected as his party's gubernatorial candidate. His record as mayor was excellent. Despite, or perhaps because of the PRI governor's heavy-handed efforts to cripple the Merida city administration, Correa Racho has achieved a growing level of popular support in Merida and elsewhere in the state. His proven administrative ability coupled with strong anti-PRI sentiment make the PAN a formidable challenger.

The PAN has been very active organizing for the campaign. Committees have been created in a number of towns throughout the state, and in June of this year a PAN spokesman claimed that the party would have 15,000 members, more than half of them outside Merida, by the time of the elections.



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The spokesman expressed confidence that the PAN would carry the state on the strength of the potentially large anti-PRI vote. Reportedly, the national PAN will provide significant financial support for the Yucatan campaign.

PRI Reaction

The national PRI has been uneasy over developments in Yucatan, and apparently had serious doubts as to the capability of local PRI leaders to salvage the situation. In August of 1968, the Confederation of Mexican Workers organized the Federation of Workers of the State of Yucatan, probably in an effort to mobilize the comparatively small labor sector of the state for the PRI. In March of 1969, the National Executive Committee of the PRI appointed prominent Federal Deputies from areas outside Yucatan as PRI delegates to the state. These men have overseen a reorganization of the state machine and placed priority on putting younger more activist local politicians into positions of responsibility. Party philosophy may not change, but the blossoming of new faces in the PRI roster could give the party a more attractive appearance. The PRI evidently hopes, and perhaps with some justification, that anti-PRI sentiment will abate as the heads of the old bosses roll.

The government has also become more responsive to peasant demands than the condition of the henequen industry might justify. Christmas bonuses were paid, the Director of the Agricultural Bank was sacrificed, and a peasant demand for representation in the henequen grading process is being considered. The government has focused its coercive weight on peasants associated with the PAN and restrained itself in dealing with those whose protests are directed clearly at the henequen credit and marketing mechanisms.

The PRI has welcomed the participation of the Popular Socialist Party (PPS) in the elections, and is using it for the PRI's own purposes. The PPS is not expected to gain a significant number of votes, but to attack the PAN as the party of wealth, the Church, privilege, and reaction. PPS shouting will allow the PRI to run its campaign in a more civil tone.

The PRI has chosen its candidate for governor with care. The standard bearer will be Senator Carlos Loret de Mola, a Yucatecan who has not been closely identified with the excesses or the personalities of past state administrations. Loret de Mola has spent a great deal of his career outside of the state, has achieved some national prominence but has maintained useful contacts on the local scene. Reportedly, he is a good Catholic and this could be a plus factor in Yucatan.



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Prospects

PAN chances for a strong showing in the elections are good, but PRI countermeasures could enable the party to squeak through even in a fair election. However, a mere tallying of the vote will not tell the full story, because the decision on whether to cede the state government to the PAN will be made by the PRI-government complex.

The PAN is banking on rolling up so much support that any PRI rigging of the outcome will be plain for anyone to see. The PAN could then take the issue of free elections to the nation in the presidential campaign or protest the campaign by deciding not to participate. The PRI would be embarrassed by either course of action.

The Campaign Thus Far

The campaign has been in swing for more than a month and the paths of both candidates have been dogged by violence. It is not clear whether the acts of violence directed against both parties have been spontaneous or organized. The government has been harassing the PAN in many ways -- denying them permission for band music at rallies, discriminating against PAN newsmen in the release of public information materials, police detention of PAN sympathizers and indifference to PAN requests for protection. Since the PAN would have little to gain and much to lose by violence, it might be assumed that to the extent violence is organized, it is the work of the PRI-government. The PAN believes the PRI would like to provoke the party into violence and realizes that if it falls into this trap the elections will be lost before they are held.

Implications for the PRI

The day when an opposition party can mount a substantial challenge to the official party at a politically significant level has arrived. The fact that significant numbers of the peasantry, one of the sources and mainstays of the Revolution, and the middle class, the offspring of the Revolution, appear to feel that their needs must be conveyed to the government outside the official party may be a sign that the myth of the Revolution is wearing a bit thin. Making the PRI-government complex more responsive to pressures from below will require much careful thought, and this process will be hindered by a natural reluctance to tinker with a system which has proven so effective in the past. There is no guarantee that the PRI-government will come to grips with the problem, nor is there any reason to think that they must over the short run. But, over the long run there seems to be no alternative but to face the issue of growing dissatisfaction with the status quo. The Yucatan elections may reveal the PRI's first response to this problem.

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INR Working Draft

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Student Violence and Attitudes in Latin America

Note: This is an INR working draft on student violence and attitudes in Latin America. It was completed in mid-November 1968 and contains only information available as of that date.

The Nature of Recent Disorders

Student disorders of unusual ferocity have plagued a number of Latin American nations since April 1968. Extensive property damage, hundreds of arrests and injuries and more than one hundred deaths have resulted from police/student clashes in Mexico, Brazil, and Uruguay. Similar but less violent disturbances occurred in Bolivia, Chile, and in several other countries. Political tensions heightened in all five countries and—while tempers have cooled since October 1968—the present atmosphere remains unsettled and the possibility of renewed violence cannot be discounted.

Mexico. Of all the countries in Latin America Mexico has experienced the highest degree of student unrest. Massive demonstrations by Mexico's university students have troubled the Diez Ordaz government since late July 1968 when communist youths celebrating the July 26 anniversary of Fidel Castro's revolution managed to take over a peaceful student demonstration which had been authorized by the government. When police tried to disperse the crowd, rioting students burned buses and barricaded a four-block area of downtown Mexico City. About 4,000 students again demonstrated on July 29, at which time federal troops were used to restote order after police lost control of the student meb. Press accounts of the deployment of tanks and armoved cars against student barricades served to picture massive as bettleground, not unlike Paris deving the disturbances in the Spring of 1968. Several Mexican students were killed and more than 200 were injured during these battles with security forces.

Demonstrations, accompanied by occasional violence, continued throughout August and September, with the number of participants approaching 100,000 at times. Student grievances at first focused upon local issues of police brutality, release of arrested students, and a recognition of university autonomy which was violated on July 29. Cries were raised

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for the dismissal of the chief of police and the mayor of Mexico City and some radical students attempted to enlist labor support for their cause by calling for a 40-hour week and better housing. By August 15, however, the first student animus against the President was evident, a criticism which reached unpracedented heights of scathing vulgarity (for Mexico) on August 27 when student poster attacks depicted Disz Ordaz as dishonoring the Mexican Constitution and openly called for an end to his government.

The student/government conflict grew in intensity and ferocity during September and October. With the October 12 opening of the Olympic Games fest approaching, the government seemed to abandon all hope of resolving the matter through negotiations and opted instead to use whatever force was necessary to put down what was then assuming the proportions of a student revolt. Such tactics had always worked in the past and the government probably assumed that they would be equally as effective again. Moreover, the timing of the student protests was linked to the Olympics and the continued agitation was extremely embarrassing to the Mexican Government which was most anxious to impress the world as a deserving host to the prestigious international games. The occupation of the national autonomous university by government forces on September 18 sparked new violence which continued intermittently until the bloody clashes on October 2 in which perhaps as many as 100 persons lost their lives. The October incident did considerable damage to Mexico's reputation as the most stable and progressive country in latin America and brought into question the suitability of Mexico City as the Olympic site. Student agreement not to disrupt the games helped to cool tempers and an uneasy calm returned to student/government relations.

Seeking to justify its actions and its inability to resolve the situation, the Mexican Government raised the specter of foreign elements and domestic communists who it alleged were responsible for student activism. The administration seemed not to realize that extremists, even with the aid of foreign elements, could hardly have sustained the unrest over such a long period if student dissatisfaction were not deep and widespread.

The positions of both sides are intransigent and it seems unlikely that a fundamental solution to the problem can be brought about without changing the widespread conviction that the PRI is entrenched, stagnant and primarily self-serving. Despite the enormous graft and dishonesty which have become PRI hallmarks, students will have to be convinced that the party is still, or will again become, a vital force for political and social change as well as economic growth.

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Brazil. Anti-government student disorders have plagued the administration of President Costa e Silva on and off since early June 1968. Open clashes between police and student demonstrators have resulted in about six deaths, numerous injuries and more than a thousand arrests. Rio de Jameiro, Sao Paulo and Brasilia have been the scenes of the greatest violence, but large and sometimes violent demonstrations have been staged in major cities throughout the country.

Brazil's outmoded education system is the immediate cause of the student disturbances, although there is clearly an anti-regime bias running through the atudent protests. The careful manipulation of the protests by student leaders and the government's ill-advised reactions to them have succeeded on more than one occasion in turning public opinion against the authorities and in creating a political crisis which transcends student concerns. During the protests of late June and early July, support for the students came from Church leaders, intellectuals, opposition politicians, and some (but not most) labor leaders. These non-student elements have backed legitimate student demands for educational reforms and their protests against police brutality, but they have drawn the line at vitriolic anti-government attacks.

The arrest, on October 12, of over 700 participants of the illegal congress of the National Union of Students (UNE) provoked a spontaneous reaction of anti-government protests in about ten Brazilian cities. Police handling of the demonstrations has been harsh and the resulting violence has caused renewed bloodshed and property damage. A "rightist" counter-reaction to continued student demonstrations provoked pitched battles between opposing student factions in Sao Paulo, and attacks upon university buildings in Rio de Jameiro and Recife. The emergence of extreme right-wing groups injects a dangerous element into the Brazilian student situation and will probably make it more difficult for police to either prevent or control violence in the future.

The deaths of at least three persons during police clashes with students in Rio de Jameiro during the period October 22-24 came amidst an unsettled political atmosphere in which growing pressures—both internal and external—were being exerted upon the Costa e Silva government. As was the case with Mexico, the strategy of the Brazilian. Government in dealing with student disorders has been the use of even greater force than the students are able to put forth. Police violence in putring down student disturbances led to new bloodshed which in turn caused further demonstrations. Occurring against a background of antigovernment pressures, the student disorders threstened to become the final straw for the Brazilian military, and top leaders of the armed forces

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warned the President of a possible breakdown in military discipline if energetic measures were not taken to repress agitation and carping criticism from radical opposition elements, including students.

Responding to multiple pressures, the Brazilian Government has used massive police presence in the streets of the country's major cities to prevent the staging of new protests. So far, the strategy has worked but the basic positions of both government and students remains unchanged and it is probably only a matter of time before violence is renewed. The upcoming summer vacations (January, February) may offer however, a much-needed breathing spell.

Uruguay. In the midst of continuing political and economic turmoil, Uruguayan students engaged—in early August 1968—in pitched and bloody battles with Montevideo police. As was the case in Brazil, several deaths and numerous injuries resulted. Although earlier student demonstrations had been directed against the policies of the Uruguayan Government (a limited state of seige and a wage-price freeze), the unprecedented level and intensity of the August violence resulted from alleged police "violation of university autonomy." Police raided the national university on August 9 after anti-government demonstrations and agitation had been common on the campus for over a month. On the following day, the President sought with the Senate's approval, to dismiss the University Directive Council and the university's rector for dereliction of duty.

By mid-August, violence and vandalism had reached such serious proportions that, on August 19, the government arrested the entire leadership of the Uruguzyan Federation of University Students. This was intended as a crackdown upon those responsible for student disturbances and vitriolic anti-government criticism and reflected the firm conviction of President Packeco that he must deal firmly with student and labor agitation which was ultimately aimed at discrediting his government and forcing his resignation.

Demonstrations, however, did not immediately cease, and, responding to rising student and labor agitation, the government closed the national university and all vocational, normal and secondary schools in Montevideo. Press censorship was temporarily re-imposed and several union headquarters were ordered closed by government order. Student disturbances since that time have been minor, and popular sentiment appears to be moving against further agitation. The presence of violence-prone student radicals prevents too sanguine a view regarding the relative calm that prevailed in Uruguay in November 1968, but it is safe to say that support for renewed demonstrations will be increasingly difficult to obtain.

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Bolivia. Student opposition to the government (any government) has long been a Bolivian tradition which has given rise to frequent protest demonstrations. Attempts by the government to deal with these disorders inevitably provide pretexts for further demonstrations protesting "repression" and/or "violations of university autonomy." Such were the demonstrations, fairly easily contained, which took place between the end of May and late June 1968. The August demonstrations, on the other hand, were more difficult to control. Scarcely a day passed during that month without one or more demonstrations in some part of the country, the targets often being US installations. About five students were killed during this period; there were also several injuries and numerous arrests. This agitation was related to university elections, maneuvering of political parties and interest groups and a search for issues with which to attack the government.

Nevertheless, the unusual number and intensity of the demonstrations were undoubtedly related to the lengthy government crisis set off when Antonio Arguedas, then Interior Minister, fled the country amid statements that he was responsible for the delivery of the "Che" Guevara diary to the Cubans. The students thus were acting in an atmosphere of political turmoil to which President Barrientos responded swiftly and vigorously. While initially this seemed only to incite the students to increased protests, Barrientos' forceful actions ultimately resulted in a return to something approaching normalcy both in the political and student sectors.

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The Student As A Member of Society

Protest demonstrations by university students are reflective of the conditions of the societies in which the students live and of the relationship between students and those societies institutions and values. To understand the society, therefore, is to gain a clearer perspective on the causes of student unrest and of the students' self-conceptions.

In Latin America, the acceleration of social and technological change during the past two decades has tended to emphasize the contrasts and contradictions between the centuries-old institutions and cultural patterns of the region and the vision of what can and should be accomplished to broaden political expression and to effect fundamental economic improvements. These changes have brought into question the relevance of existing forms and institutions, not only by students but also by other disaffected elements. Dissatisfaction -- often vaguely articulated -- is becoming generalized in many Latin American countries, but given the paternalismo and ingrained fatalism of these societies, such feelings have rarely found expression in political activism. For the greater part of Latin America's population, the "revolution of rising expectations" is not even today a reality. So long as the masses of Latin society continue to hold God, luck or fate responsible for poverty, ignorance and disease, the only realistic expectation will continue to be what it has always been: the perpetuation of a rigidly structured class society. Indeed, for the peasant, the absence of a correlation between hard work and meterial success is seen as positive proof of this thesis. The "fairy godmother syndrome," the eternal hope that instant wealth and happiness may be bestowed upon one by a benevolent patron or by the action of luck or occult forces results from this attitude. It is not by accident that lotteries, soccer pools and Brazil's famous numbers game, the jogo do bicho, are so popular among Latin America's lower classes. But for an increasing number -- mainly students and other elite elements -- the phenomenon of rising empectations does exist.

Appreciative of modernity and conscious of his superiority to the uneducated masses, the student conceives of himself as a responsible leader of the future. He protests the injustices of present society in the name of the people, his people, the people for whom he is the appointed leader. Since Latin American universities have historically provided political leadership training grounds for their societies it is at least understandable that students see themselves in leadership roles.

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Of all of the elements in Latin society, students are probably the most responsive to pressures for change. Student demonstrations are symptomatic of youthful imporence and impatience in the face of structures, institutions and organizations which they are unable to influence in normal ways. In contrast to the anarchistic bent of radical American and European students, however, Latin American students generally are protesting for a greater voice in their societies' institutions, not their destruction.

The role which students exercise in LA societies is unique. Despite superficial similarities with US universities, the universities of Latin America are products of quite a different cultural tradition. Historically, they have contributed more to the social exclusiveness of ruling elites than to the education of the masses. University enrollments in Latin America are still a minuscule element drawn from the privileged classes. While university education is generally free or provided at nominal cost, secondary schools are mainly private and the tuition payments and loss of earning power are intolerable burdens for most poor and lower class families. Unable to surmount this obstacle, poor students are generally denied (save for scholarships) the opportunity for aducation beyond a rudimentary, gradeschool level. In this way class stratification is preserved and upward social mobility rendered exceptionally difficult.

Obviously, the Latin American university student occupies a privileged position in his society, a fact which psychologically conditions both his self-conceptions and his degree of political activism. In many ways, university students constitute a well-defined class, much in the fashion that lawyers, doctors, labor leaders, military officers and government workers do. They form an important (generally disruptive) "pressure group in society. Regardless of his social or economic origins, once an individual enters the university he becomes ipso facto a member of the intellectual elite. This realization conditions (some would say warps) has perception of reality, giving him an inflated sense of destiny and importance. In gaining admittance to the university, the student has in a very real sense "arrived." Thus, the university assumes many of the characteristics of an ultimate objective, it becomes less a means to a goal and more an end in itself. Despite a tradition of political activism on Latin American campuses, the majority of university students express little interest in polities. Accurate figures are impossible to obtain, but it is Widely believed that no more than perhaps 10% of Latin American students are politically active. This figure includes both organizers and demonstrators. The silent majority remains apathetic except when their leaders are able to arouse their anger or enthusiasm in connection with

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specific issues, i.e., the killing of a student colleague by police, an unpopular government action, etc. Otherwise, they appear to enjoy a vicarious participation through their student leaders. In the abstract, however, student activism is highly valued by most students and there is considerable admiration for those who are articulate in voicing student complaint. Spanish ideals of "honor" play no small role in the bravery of some student leaders and in the adulation they receive during their brief span of glory.

With few exceptions, student activists in Latin America espouse political ideals which may be considered under the vague heading of. "leftist." The reasons for this are varied but the natural latino student inclination towards opposition movements per se is an important contributory factor. While the case may be overstated, there is a tendency for students to oppose established authority of whatever type (from the parental to the political) during the few years in which they are still exempt from responsibility and enjoy much of the license accorded to students in medieval days. For the ambitious, particularly those from modest or lower class backgrounds, the positions staked out in university life are an entering wedge into the established order, the common morals and mores of which acknowledge threat and pressure to be the principal road to acceptance and a share of power. Leftism, representing the maximum risk-taking, can bring the highest payoff from those who dole out privilege in later years. Herein lies the explanation of ardent radicalism in the university and sedate conformity in maturity for most of Latin America's student leaders. It is important to stress the most, for we cannot dismiss all student activists so easily. While it is true that most student leftists will eventually become conservative -- Indeed apathetic -- after graduation. It is equally true that the minority of student activists of deep, ideological motivation will continue to supply the future leadership for domestic communist parties and other organizations of the left. For these students, there is usually no payoff by society's establishment.

Radicalization of Student Protests

In Latin America as elsewhere, there has been a pronounced radicalization of student protest which has resulted in the rejection of non-student political leadership. Student condemnation of the structures and institutions of present society is not limited to the so-called "establishments" of Latin America, but includes in many cases* the Moscow-line communist parties

*The degree of communist control over the student movement varies widely from country to country. In some cases, the student organization has had traditional ties to the youth wing of the local communist party.

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and other political organizations generally considered to be of the "left." There are evident strong elements of this attitude, for example, in the dissident student-wings of such liberal political parties as the Christian Democrats and other parties whose "openings to the left" are viewed by students as too cautious.

Confronted with the unexpected violence of demonstrating students, Latin American governments have consistently failed to appreciate this new phenomenon and have attempted to console themselves with the charge that student disorders are the work of communist and "foreign elements" who use disaffected students to carry out their sinister schemes. In the four countries under consideration, clandestine reporting does not support this comforting view. While there has been communist involvement in all of these student disorders, the communists have not universally been able to maintain control of the student protests. In Mexico and in Brazil, the communist role—probably because of the sheer size of the student bodies in those countries—has been less important than in Bolivia and in Uruguay where the university student organizations are dominated by communist leaders.

For the communists, the new activism of Latin American students offers as many threats as it does opportunities for organizational expansion. The radicalization of the student movements has forced the domestic communist parties to renewed efforts of recruitment and propagandain order to give at least the appearance that they are still the revolutionary vanguard. And while the communists have not been notably successful in controlling the level of student violence -- increasing it and decreasing it in accordance with party policies and objectives -- they have universally been blamed by the governments for fomenting student disorders. Thus, the communists run the serious risk of a government crackdown upon their organizations (usually fairly exposed) every time student disturbances get out of hand, whether or not the parties were responsible. Radical student leaders -- some of whom are dissident members of local communist parties-will cooperate with the communists so long as there is a mutuality of interest, but will not hesitate to take independent actions which the parties may oppose. Retaining some mutuality of interest is and will continue to be an important communist objective.

Common Denominators and Conclusions

Student demonstrations—sometimes violent ones—occur with a fair degree of frequency in Latin America, but the recent protests in Mexico, Brazil, Uruguay and Bolivia seemed to have been more violent than most. Is there a common denominator among these four countries which led to such violence? The answer to that question must of necessity be a tentative one. Analysis of several hypotheses fails to produce conclusive responses. Listed below are the results of some of these investigations.

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Size of Population Hypothesis:

Countries with large populations are more violence-prone than countries with small populations. Likewise, university enrollment as a high percentage of total population is more conducive to unrest.

Analysis: No correlation was found between the size of the country and the violence of student disorders. Nor is there any evident connection between student worest and the size of university enrollments expressed as a percentage of total population. The same is true for rates of population growth. Argentina remained relatively quiet amidst the disturbances of its neighbors, Brazil and Urugusy, yet Argentina's population is large and the country ranks first in Latin America in university enrollment. Among the four countries being considered, no pattern was discernible. Summary figures are:

Country	Populat (actual) (ann	ion ual % increase)	University Enrollment *(actual) (% of pop.)		
BRAZIL	83.9 million	3.1%	(1965) -158,100	.18%	
MEXICO	42.2 million	3.2%	(1966) -128,300	.30%	
BOLIVIA	3.7 million	1.4%	(1966) - 10,400	-287	
URUGUAY	2.7 million	1.4%	(1965) - 12,500	.46%	

^{*} date of information in parentheses

Population data: Population Reference Bureau - December 1966

University Envoluments: IDB Social Progress Trust Fund Annual Report-1967

Government Reaction to Students Hypothesis: Forceful government repression of student demonstrations provokes further violence.

Analysis: This hypothesis appears to be the most promising explanation put forth for student unrest. If we accept as a given fact that students—in whatever Latin American country—are likely to demonstrate frequently, the reaction of individual governments to such protests becomes critical.

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Police resentment of student challenges to their authority (demonstrations, even physical attacks, insulting signs, etc) in the countries being considered undoubtedly contributed to laying the groundwork for a violent confrontation. Inevitably, it occurred and the vigorous suppression of protests by police touched off a vicious circle in which larger and more violent protests required the use of greater police force to control them. The resultant deaths and injuries served to guarantee further demonstrations until violence reached such a high level that the students were no longer willing to go to the streets for their cause.

Degree of Political Expression Rypothesis: Student disorders are more likely to occur in countries where students feel that their degree of political expression is restricted. Since the ability to demonstrate is predicated upon the existence of certain freedoms, dictatorships of the right and the left must necessarily be excluded from consideration.

Analysis: The hypothesis is correct to the extent that when students feel alienated from the government and the country's major institutions, they tend to demonstrate. But it does little to explain the reasons why students do not demonstrate (at least violently) in such countries as Argentina where conditions for such activism appear to be prevalent.

The foregoing discussion permits the drawing of some very tentative conclusions regarding student unrest and violence in Latin America. First of all, it is evident that the student protest movements were relatively spontaneous and uncoordinated affairs. They appear to occur more frequently, however, in societies where dissatisfaction with the government or its policies affects sizeable numbers of non-students as well. Moreover, government awareness of popular feelings of dissatisfaction tends to encourage in government leaders a defensive and somewhat hostile position which vaguely conceives of student demonstrations as a threat and increases the probability of a harsh police response to them. Such was the case with Mexico, Brazil, Uruguay and Bolivia. Buch dissatisfaction of itself does not always cause political action, but the heightened social sensitivity of students contributes to an atmosphere conducive to massive protests by them. The student, conceiving of himself as a spokesman for society, tends to assert his leadership in times of real or imagined crisis.

Secondly, encouragement of student activism, particularly of an aggressive nature comes from many quarters. "New Left" intellectuals such as Herbert Marcuse and others (whose ideas are parrotted but whose works are seldom read) provide students in Latin America with a rationals for action, with the certitude that they are fighting for a just cause

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against the supporters of a sick and hypocritical society. Communist influences are also evident in attempts to direct student activities against pre-selected targets, whether they be the government, university reform or police brutality. But the communists have been unable to control the student demonstrations; indeed in some cases, the presence of rational direction was undiscernible, from whatever quarter. Mob psychology appears to have played an important role in determining the extent of violence associated with protest demonstrations.

Finally, the factor of emulation of foreign colleagues seems to be particularly important in provoking student demonstrations. Extensive media coverage of the French and German disturbances showed Latin American students the potential of student activism and it is likely—although the hypothesis cannot be proved—that this awareness strongly contributed to the environment in which such protests were eventually launched. It should be stressed, however, that mere awareness of student riots elsewhere was not alone responsible for the disturbances in the four countries being considered. The coincidence of broad uneasiness or dissatisfaction, new left influences and dynamic foreign models are apparently necessary to create an atmosphera in which demonstrations accompanied by some violence can (not necessarily will) result.

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- (a) Provincial universities are much smaller than those in Mexico City giving the students correspondingly less leverage and easing, the problem of control. Moreover, little evidence appeared that secondary level students, whose participation in the Mexico City disturbances was a striking addition to the picture of student unrest, were a prominent feature of any activity in the provinces.
- (b) The government made conscious efforts to keep contacts between capital and provincial student groups to a minimum. As early as August 7, students were complaining that the government had violated Article 11 of the Constitution by preventing students from the provinces from coming to the capital, and those from the capital from fanning out to the provinces.
- (c) Provincial universities, much less prestigious as a rule than the national universities, seem more vulnerable to pressures such as that applied by the Governor of Sinaloa who cut off funds to the striking state university.
- (d) Pro-government forces are much better organized in many provincial universities. Active support for the President was thus manifested in Guadalajara, Colima and Oaxaca.
- (e) Only where local grievances became involved, as in Sonora and Sinaloa, or where students are already disaffected for other reasons, as in Puebla, did protests gather any force. However, the linkage to events in Mexico City is tenuous. Except for Puebla and Morelos, students even in schools where sympathy for Mexico City has been actively demonstrated have gone back to their studies.

FIVE STATES HAVING MOST SERIOUS DISTURBANCES

3. NUEVO LEON. Sympathy for the cause of the capital students was promulgated in Monterrey by street corner meetings to inform the public about events in the capital. Twelve schools of the University of Nuevo Leon and the Superior Normal School went on strike September 25. One of the immediate demands of the students was that the government produce two UNL students who had disappeared on September 21. A silent march was held on September 26 in memory of students killed in Mexico City. The UNL student Federation occupied the Rectory and other buildings on October 3 promising to relinquish them when the whereabouts of the two missing students was explained. The following day the university workers and teachers union met and voted to support the striking students in the capital. The two students were finally produced and the UNL and related schools adopted a

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general pattern of return to classes on October 1^4 and 15 while maintaining support for the student strike committee's demands in the capital. although the Normal Superior School remained on strike. One new feature was the involvement in public meetings of students from the elite private school, Monterrey Tech which has been very strict about any political activity on the part of the students. The individuals involved appear to have been severely disciplined.

- 4. PUEBLA. Various marches and demonstrations at the University of Puebla preceded a strike on September 24 which was prompted by occupation of UNAM. A march planned by students in mid-October to protest the Tlatelolco clashane was cancelled when the local army garrison threatened to break it up. On November 4 the students ignored government calls for a return to classes and the two month old strike continued. Reminiscences of earlier violence (see A-1216 of July 68) were evoked when minor violence occurred on November 11 as striking students held a "lightning meeting" in downtown Puebla and then marched on nearby newspaper offices and tried to force entry. Granaderos dispersed the students who retreated to the University where a half hour battle ensued causing minor injuries but no deaths.
- 5. SINALOA. The Autonomous University of Sinaloa (AUS) went on strike in support of UNAM in early September when classes convened after the summer vacation. Soon after the strike commenced Governor Sánchez Celis announced that he would withhold all state aid for the University until such time as students and teachers would return to the classrooms. During the strike demonstrations Pres. Diaz Ordaz and Gov. Sánchez Celis were the principal targets, while Che Guevara banners were very much in evidence.
- 6. On October 5 the Governor announced that the normal state aid. as well as funds derived from the 10 percent special tax previously turned over to the University, would in the near future be used to grant scholarships to deserving full-time students, that recipients of scholarships must obtain and maintain a scholastic average of 7 or better, and further that a scholarship commission would be formed to grant the scholarships. The commission, he said, would be part of the University.
- The Governor explained that he had already requested the state legislature to change the organic law of the University to conform with the new procedures of disbursing state University funds. He did not elaborate any as to who will appoint the commission members. Although it is generally believed that the governor intends to have some control over the university through the disbursement of state funds.

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- 8. The teachers' salaries and maintenance of building, etc. will be paid from tuition, Federal funds and other fees. The building program underway, it is understood, will not in any way be affected by this change. The new procedure of disbursing state funds will be put into effect as soon as the state legislature amends the organic law of the University. The AUS resumed classes on October 26 but the problem in Sinaloa seems to be more serious than in other states due to the emergence of a significant local issue produced by the strong action of the Governor. Agitation and disgruntled feeling with the new organic law can be expected on the part of the students and faculty. In addition, there seems to be some support among businessmen for the student cause although this is probably based more on general delight at seeing the center suffer with its own problems rather than sympathy for the political programs of the students.
- 9. SONORA. Early attempts by capital students to gain support of Sonora students was unsuccessful but by the end of September a more radical minority had created significant agitation for a student strike. The issue of support for capital students was complicated by coincident student discontent over an increase in tuition designed to go into effect in the fall. On October 3 the University Council accepted the resignations of Rector Roberto Reynoso Davila and Dr. Abel Hernandez Director of the School of Nursing. The resignations were believed to have been engineered by Governor Felix Serna to placate the students. The situation is calm for the moment but sympathy remains for the capital students. With the new Rector Dr. Federico Sotelo and his promise to run the school without an increase in fees, the students achieved their principal objectives.
- 10. <u>VERACRUZ</u>. Teachers and workers at the University of Veracruz in Jalapa voted on August 29 to go on an indefinite strike in support of the capital students. In Jalapa there was a demonstration by about 500 students in support of capital students on September 26. The demonstration was broken up by riot police and more than 32 persons were arrested.
- 11. On September 29 a student was shot and killed in Poza Rica, Veracruz when he tried to rescue a friend held by police for distributing student flyers. As a result of the student's death, a protest march was held and the mayor ordered an investigation to find out who was responsible. In Cordoba, Veracruz several students from Jalapa were detained for agitating in favor of the student cause. After an on again off again situation among the various faculties at the University of Veracruz (some of which are in Jalapa others in Veracruz), the government took a hard line on November 4 when it suspended five faculty members who supposedly were leading the strike, at the same time they invited the students to return and take exams or lose the year.

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OTHER STATES HAVING MINOR DISTURBANCES

- 12. BAJA CALTFORNIA. Students and teachers from the School of Economics at the University of Baja California in Tijuana went on a protest strike October 4 with the recommendation of the Executive Committee of the Baja California State Student Federation. This was followed by a march of between 500 and 1000 students on October 11 and ended with a meeting in downtown Tijuana. Seven speakers extolled the just demands of their compatriots in Mexico City and condemned the local press for not reporting the truth about the CNH program. On November 6 the students reiterated their support for their comrades in the capital and continued with the strike.
- 13. CHIHUAHUA. Two marches were held on September 26 in Chihuahua City, one was led by the more moderate medical students who wanted a silent march, the other was led by Law and Agronomy students who wanted a more traditional demonstration with speeches, etc. Both marches attracted about 750 students each. Besides being demonstrations in sympathy with the capital students the marches were in response to a military "provocation" six days earlier when the Zone Commander said no public demonstrations would be permitted. He reversed himself one day before the marches were to take place, probably on orders from the center. The students returned to classes on October 28 after some brief strikes and "steps" before the Olympics but kept their eyes open for developments in the capital.
- 14. COAHUILA. On September 23 the students at the University of Coahuila in Torreon went on strike as a protest against the occupation of UNAM. The Faculty of Commerce and Administration did not immediately join the strike but offered their school as a site for the public dialogue between the CNH and the government, observing that the climate of tension in the capital was not propitious for such talks. After the Olympics, the majority of the students returned to classes but a minority were still carrying on a boycott as of mid-November.
- 15. <u>COLIMA</u>. On September 24 a meeting of about 200 students was held on the athletic field at the University of Colima. The majority voted to support the President, while a vocal minority promised to demonstrate publicly in favor of the CNH.
- 16. <u>DURANGO</u>. The students at the University of Juarez in Durango, Durango went on strike for 24 hours on August 13 in solidarity with the capital students. Police detained what the press called professional agitators but what were probably students from Mexico City. The UJ students were reluctant to go on a permanent strike because of closeness to the end of the school year. Students at the Technological Institute of Durango went on strike September 25 in support of capital students. After the Olympics the majority of students returned to classes but a minority were carrying on a boycott as of mid-November.

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- 17. GUERRERO. On September 24 elements of the 35th Military Zone took possession of the University of Guerrero in Chilpancingo. The Governor said it was a preventive action necessary to maintain social peace. The occupation caused indignation among students and teachers; the Rector protested to the Governor that the action was unnecessary since the students had been giving moral support to the capital students but had never proposed to commit disturbances. The troops were then withdrawn but continued to patrol the area. Three days later a twelve hour strike took place at the Rural Normal School in Ayotzinapa.
- 18. JALISCO. The Guadalajara Student Federation (FEG) has enunciated public support for the President on the student issue. However, the FEG is seriously divided and on October 7 the students in the Faculty of Philosophy and Letters announced a three day strike in support of the capital students.
- 19. STATE OF MEXICO. A silent march was held by 200 students from the Autonomous University of the State of Mexico in Toluca on September 28. The march started at the rectory and ended at city's center. The students carried placards condemning "funcionarios venales", etc. and a moment of silence was observed for fallen students but there were no incidents of violence. The students returned to classes without incident on November 18 when their vacation ended.
- 20. MICHOACAN. There was considerable agitation at the University of Michoacan in Morelia against government actions toward the students in the capital and against the outgoing administration of Governor Arriaga Rivera.
- 21. MORELOS. At the University of Morelos in Cuernavaca there were meetings and a march which preceded a strike on September 24. However, one day before the Tlatelolco incident of October 2, the students voted to return to classes and the strike was ended. After Tlatelolco the students again voted to go on strike and then renewed their stand on November 5 when they refused to return to class after the Olympics.
- 22. OAXACA. On August 7 the Rector of the University of Oaxaca led a peaceful march in support of the capital students. There has been continued agitation and threats of strike since that time. On November 6 the Oaxacan students expressed support for the capital students and went on strike.
- 23. TABASCO. On July 26 unpopular Governor Manuel Mora returned to the state after a two month absence due officially to bad health but probably prolonged by previous demonstrations against him in May. Almost immediately upon his return student anti-Mora demonstrations broke out which included a march on the Governor's Palace and an attack on the local PRI headquarters causing 100 thousand pesos damage. Except for some

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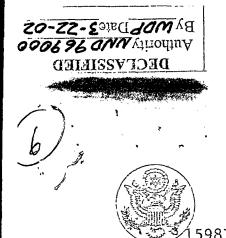
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weak attempts to tie the demonstrations in some way with the unrest in the capital there seemed no reason to believe that it was anything but a locally based issue. Nevertheless a good deal of anti-Mora sentiment exists and the situation is ripe for outside agitation.

- 24. TAMAULIPAS. An orderly demonstration in sympathy with the capital students was held by Tamaulipas students on October 8. About 400 students marched from the Institute Technologico Regional de Ciudad Madero to the Palacio Municipal in Tampico where speakers were heard. No attempt was made by local authorities to interfere.
- 25. YUCATAN. There was little apparent interest among students in Yucatan for supporting the capital students because the six demands were political and had little to do with the university. Nevertheless sentiment grew to do something in sympathy with their comrades in Mexico City so a march was held on September 26. The march was peaceful and was led by the Rector in order to keep it under control.

FREEMAN

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RS/R FILES

Attention <u>TRS nuller</u> Keep this study together,

DEPARTMENT OF STATE

Washington, D.C. 20520

December 11, 1968

CONFIDENTIAL

COPIES TO: S/S:RF ARA ARA/MEX

. MEMORANDUM FOR THE PRESIDENT

Subject: Your Meeting with President Gustavo Diaz Ordaz, Friday, December 13, 1968

The Visit

You last saw President Diaz Ordaz when he made a State Visit to the United States in October, 1967. At that time, you visited the Chamizal site and participated in a ceremony at the Mexican Chamizal Monument. This latest visit will be the final step in the historic Chamizal settlement - to inaugurate the President Adolfo Lopez Mateos Channel which will carry that portion of the Rio Grande which was relocated as a result of the Agreement. It will be your sixth meeting with President Diaz Ordaz and will give you the opportunity to stress the cordial relations which exist between our countries.

Mexico Today

The student conflict which erupted July 15 is drawing to an end. The Student Strike Committee has called for a return to classes and is being heeded by increasing numbers of students. The threat of violence has largely passed, although we expect the students will continue to pressure the Government for certain legal reforms and for the replacement of several unpopular police officials. The prolonged nature of the conflict, and the fact that

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the Government of Mexico resorted to heavy repression on several occasions, have somewhat marred President Diaz Ordaz' image. The President, however, remains in firm control of his Government and continues to enjoy broad support throughout Mexico. For the coming year he will give much of his attention to the decision on a candidate to succeed him in 1970. There are no clear favorites at this point.

Mexico's economic situation continues to be relatively favorable with real GNP growth averaging 3 percent per year, and a rate of inflation within acceptable bounds. Mexico continues to have an excellent international credit rating. Recently, however, several soft spots have become apparent for which remedial action will probably be necessary:

1) a trend towards excessive foreign borrowing to compensate for a sharply increased current account deficit; 2) an industrial sector which has difficulty in competing in world markets and; 3) a poverty stricken rural sector which encompasses 50 percent of their nation's population but accounts for only 16 percent of the GNP.

The Olympics, as you know, were held with outstanding success. The Games were a source of great national pride for all Mexicans.

Dan Rusk

Dean Rusk

Enclosures:

- 1. Talking Points
- 2. Tentative Schedule
- 3. Status of Matters Previously Discussed by the President
- 4. Biographic Data

OFFICIAL - INFORMAL

Max V. Krebs, Esquire Deputy Chief of Mission American Embassy Guatemala March 12, 1969

286-75-037

Box 3

Gust?

Dear Max:

The subject is the Mexican infiltration route used by the PCT and the FAR for obtaining men, money and arms from Cuba.

While this is an old story, it has acquired more ominous significance in view of the spate of reports that Cesar Montes and his forty Cuban-trained guerrillas have used it on so massive a scale, apparently without let or hindrance from the Mexican authorities. Deeply concerned about these reports, especially since they bode no good for you, Nat and the rest of our people in Guatemala, I met with our colleagues up the river and asked them if something couldn't possibly be done to persuade the Mexicans to tighten up on their side, not only down around Chiapas and its long jungle border with Guatemala, but up in Mexico City, the bottle neck through which this illicit traffic apparently funnels.

I am in haste to make this pouch, so will not cover in this letter the details of their comments, but their general tenor corresponds all too well with that of the enclosed letter from Henry Dearborn in Mexico City to Max Chaplin, Director of Mexican Affairs. In summary, the Mexicans are anxious to do what they can, but they cannot do any more than they are doing. I wonder if this is true, or whether it reflects the general reluctance to push or shove the prickly Mexicans in sensitive areas.

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Given this widespread reaction to my initial inquiries I must prepare my brief before going further, and I have little information to go on. As a first step, would you please ask our military attaches, Milgp advisor, Public Safety people and/or anyone else who can get the information to report on what sort of cooperation really exists in policing the Guatemala-Mexican border. That is important in itself, and would also enable us to evaluate better the validity of the contention that the Mexican Government is really doing all it can to cooperate with their beleaguered neighbors to the South. I may have missed it, but I do not recall seeing any reporting on this subject since the talks between Mexican and Guatemalan border guard commanders held in Tapachia in the fall of 1967.

In this regard it would, I think, be highly desirable to revive the periodic meetings of the Ministers of Government/Interior/Security of the Central American countries, Panama and the United States, which were held during the four years, 1963-67, for the purpose of exchanging information and establishing methods of cooperation. Bill Bowdler back-stopped these meetings as Deputy Director of Cuban Affairs and Chairman of the Cuban Coordinating Committee, and I am sure he would be glad to help start these meetings up again.

In January during his Central American trip Dave Powell asked Ambassadors Bowdler, Jova and Boonstra if they felt a continuation of these meetings would be in the interests of the United States. They all agree that it would be very valuable, if only to enable the security people to get to know one another so they could cooperate on common problems. Once this cooperation is established the Central Americans themselves might bring pressure on the Mexicans more effectively than the United States could.

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Speaking of Mexican cooperation, I wonder what happened to the four Guatemalans who ran afoul of the Mexican police in Puebla during the second week in September after stealing a Mustang from the niece of former President Avila Camacho. Two of the four, Manuel Sanchez Valencia and Carlos Perez Meste, were wounded and captured. They reportedly admitted to being involved in the Ambassador's assassination. Two others, Rudy Fion and Carlos Lopez, escaped. (See Mexico's 7016, repeated Guatemala City, dated September 13, 1968.) Have you ever received a report as to whether the Mexicans are still holding them and whether they were properly interrogated?

Warmest regards,

Sincerely yours,

Guy 'A. Wiggins

Enclosure:

Letter dated Feb. 19

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ARMY GIA NA JO 5 OSD, USIA NS	On July 20, PRI activists stopped a PAN delegation from entering the city				
34 10 3	of Tekax in southern Yucatan by blocking the highway with rocks and timbers. The resulting shoot-out left five wounded. Four PAN activists were				
NS NS	arrested and then released. On July 27 maxefathers, the Tekax PAN chairman Vicente ROMERO Castillo was maxarrested and charged with violence and assault against the public order.				
PASS-1	Before the arrest of ROMERO, a well informed PRI official told the re-				
PI: 4 33	porting officer that the Tekax clash had been deliberately provoked by hard line PRIistas who have been increasingly unhappy with the rural successes of travelling PAN delegations. An official of the Dirrection de Averiguaciones Previas in Yucatan indirectly confirmed this accusation when he told the reporting officer that his office had dropped its investigation of the Tekax incident when the subject became extremely sensitive politically. (The arrest of ROMERO took place after this official had left Yucatan for the United States to attend a professional conference.)				
COPYFLO-PBR	In separate incidents, two more municipal governments have been ousted—Tzucacab and Huhi—as the state PRI continues to strengthen its position for the November election. The mini—coups in Tzucacab and Huhi, in contrast to the Tekax clash, were bloodless. Several sources have said that both were instigated by State Deputy Rafael ROMERO Vasquez who charged both municipal government with being crypto—PANistas. ROMERO is a protege of Governor TORRES M. of Yucatan and handles the latters extensive cattle ranching business in southern Yucatan (which is also the formers electoral district) ROMERO, who also recently was reported as trying to oust the Peto municipal government, may hope to reinforce his personal position by delivering his District intact to the PRI in November.				
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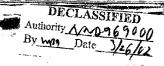
MERIDA A-37

In an aside during lunch, Luis PERAZA, a minor PRI functionary told the reporting officer that he considers the entire campaign irrelevant, since the PRI is going to win the November election in any event. When asked why he was so certain, PERAZA smiled and replied," one third of Yucatan's votes are from Merida, but the other two-thirds are from the countryside— and election results are much easier to arrange there."

COMMENT: The Consulate believes that the PRI has decided to win the State gubernatorial election at almost any cost. Given the pro-PAN sentiment in the state, this means force and pressure rather than persuasion. Although the PRI is no doubt capable of electing a Governor over all opposition, their methods will contribute to the stage possibility of increasing violence in the rural areas as the election draws nearer.

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ASE				Summary 3
SUGG	ESTED D	ISTRIB	UTION	Yucatecans elect a new governor this November. The present PRI governor is unpopular and not very competent. The state suffers
				2. from excessive dependence on the chronically depressed beneauen
				industry. Residual separatism manifests itself in distrust and antagonism toward the Federal Government. The PRI is viewed
				by many as the service and corrupt instrument of central authority
		1.		An 1967 the PAN capitalized on growing discontent to win control of the municipal government in Merida, the state capital, and
TO:	POST R		Initials	two of the nine state deputy seats. Since then it has expanded
AMB/	Wendit	11110,	initials	its strength, even into the PRI rural stronghold. To many observers this adds up to a possible PAN victory in November, if the election
рсм			1	is honest. If so, it will be the first time an opposition party has
POL				taken over control of a state since the official party was formed in
ECON		,		1929. The implications for Mexican politics could be important.
CONS				We believe it more likely, however, that the PRI will hold on to Yucatan. If so, the manner in which the PRI maintains control
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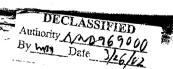


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present crisis has occurred elsewhere and may well be an increasingly frequent feature of Mexican politics. Mexico's leaders have long paid lip-service to the agrarian problem, but seldom have political control techniques in this sector been as severely threatened as at present in Yucatán.

INTRODUCTION

- 1. The purposes of this airgram are four-fold: 1) To sketch a political case study of Yucatán; 2) To present our view from the center of the likely course of events in Yucatán over the next six months -- i.e. until the inauguration of the new governor; 3) To speculate on the implications of a PAN victory or of a dubious PRI success; and 4) To suggest parallels between what has been happening in Yucatán and national politics more generally.
- 2. In large part this airgram is a synthesis of information already available in the Department. The reporting of William Harben from Amconsulate Mérida was exemplary in its coverage, acuity and lucidity. The Embassy prepared "Economic Study of the State of Yucatán" (A-314 of September 28, 1965), particularly in its treatment of the problems of the henequen industry, remains remarkably up-to-date. Politics anywhere is a product of many factors: historical, economic, social -- to list the more salient. We are lucky in the case of Yucatán to know a good deal about this background to politics -- perhaps more than we know about any other state or region.
- 3. That we should know most about the state which is currently the most politically disturbed is not entirely accidental. In many ways Yucatán is distinct from the rest of Mexico. This distinctiveness contributes to present problems. At the same time, the almost constant act of contrasting Yucatán with Mexico helps illuminate important political factors in the state. More important, the emergence of the PAN as a powerful political force in Yucatán has led to widespread public discussion of issues



A-445 Mexico

and political techniques which the PRI and the Government, with their normal political omnipotence, either suppress or confine to sanitized official channels elsewhere in the country.

4. Some readers may find in the first of these reasons confirmation of their belief that Yucatán is a very special case in Mexican politics and therefore that political instability in Yucatán represents no significant threat of similar instability elsewhere. Other readers, fastening upon the second reason, may conclude that latent discontent is strong throughout Mexico and that it requires only competent leadership and a first breech in the PRI-Government's monopoly of political instruments to burst forth. We take the analyst's usual cautious view toward both of these extreme conclusions.

SOME BACKGROUND

Monoculture, Depression and Agrarian Reform

5. During the last part of the nineteenth century and the first part of this Yucatan was the World's chief henequen producing area. Wealth was unevenly distributed but in the context of the times the state was one of the more prosperous in Mexico. The henequen boom completed the concentration of population in the northern part of the state, a movement that was also encouraged by Government policies during the Yucatan Caste War, 1847-1901. In the aftermath of the decena trágica Yucatán emerged as one of the centers of radicalism in Mexico. Plantation agriculture permitted the mass of poor Yucatecans to observe the disparity between their way of life and that of the landholding class -- the casta divina. The socialist Felipe Carrillo Puerto became Governor and initiated steps toward land reform, a process that was taken much further in the next decade by Lázaro Cárdenas. By 1940 ejidatarios were in possession of the largest part of the henequen zone. However, yields of henequen per hectare dropped sharply after 1937, and this added to the economic difficulties caused by the expansion of sisal production in



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other parts of the world and the world depression of the 1930s.* (Another factor, the competition from synthetic and other fibers, did not become important until after World War II.)

6. As early as 1928 Ernest Gruening wrote that Yucatán's economy was in bad shape and that the solution lay in the development of manufacturing industries based on henequen and directed toward the internal market. The assessment of Nathaniel and Sylvia Weyl in 1939 remains remarkably valid thirty years later:

> The plight of the peninsula is that of a monocultural area completely dependent for its welfare on the erratic and dwindling demand for an export crop that is now being raised in thirty-five competing areas scattered over four continents. The problems of socializing plantation agriculture are proving even more thorny than those incident to the expropriation of the oil industry. **

Efforts to Provide Economic Assistance

7. As with much of Mexico's agrarian reform the primary motive in Yucatán was political. Unlike the situation in many other parts of the country agrarian reform in the

^{*}Agave fourcroydes (henequen) and agave sisalana (sisal) are both native to Mexico. Yucatán production is almost entirely henequen. Sisal production predominates elsewhere in the world.

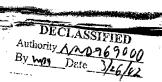
^{**}As of the mid-1960s henequen represented 58% of the area harvested in Yucatan and 66% of the value of agricultural production. Henequen decortication and manufactures represented 58% of the value of industrial production and employed 63% of the industrial workers. (See A-314 of September 28, 1965.)

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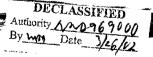
henequen zone did not permit peasant to return to isolated subsistence farming. They remained dependent for their livelihood on centralized mechanisms for the processing, marketing and export of henequen fiber. The henequen plant has a long growing cycle and represents a considerable investment even before it begins to produce. The thin limestone soil of northern Yucatán is not readily adaptable to other types of farming. In any event, the Government did not wish to lose an important source of export earnings. Therefore, beginning in the early 1940s Government (principally the Federal Government) has played an increasingly important role in all aspects of the henequen economy. Empassy airgram 314 of September 28, 1965 details the evolution of Government policies and structures dealing with henequen. At the present time the two most important governmental institutions in the henequen zone are the Banco Agrario de Yucatan, which finances ejidal henequen production and attempts to improve the quality of the fiber, and Cordemex, S.A. de C.V., which has a virtual monopoly of the purchase of henequen fiber for manufacture and export.

8. Ostensibly the Banco Agrario and Cordemex are economic institutions charged with putting henequen production in Yucatán on a self-sustaining basis and providing those involved in the economy with a reasonable standard of living. In bald economic terms this means the elimination of thousands of marginal producers and effective sanctions against growers who do not produce a marketable fiber. In fact, the policies of these institutions, particularly the Banco Agrario, are dominated as much by political and humane considerations as by economic. Without substantial diversification of the Yucatán economy (agricultural colonization in the southern part of the state, cattle raising, tourism, fishing) there is no alternative employment for excess henequeneros. As long as the great majority of henequen ejidatarios remain at a meager subsistence standard of living it will take a very brave Government to impose effective sanctions against those who do not produce a marketable fiber.



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- 9. In effect most henequen ejidatarios now work for the Banco Agrario. The Bank advances them money on the basis of henequen growing tasks (chiefly weeding) to be performed. The Bank then sells the crop (that part which is marketable) to Cordemex and, theoretically, pays the henequeneros any excess over the amount of the advances and administrative costs. In recent years -- in part because of the low world price of henequen, in part because of poor production techniques on the ejidos -- there has not been any post-sale distribution to growers. Rather, the advances are in part a Federal subsidy. The henequenero, having received all he is going to receive before he turns over his crop, has little incentive to produce a better fiber.
- 10. We might suppose that the Government, by subsidizing henequeneros, would ensure itself the warm support of Yucatán's peasants. There may have been solid support at one time. But it has certainly been decreasing in recent years. As indicated, even with a subsidy, the standard of living of most henequeneros is very low. It is possible that most have never fully comprehended the weak position of henequen on world markets and that, despite their poverty, the legend of the golden years of henequen production lives on. If peasants do not now enjoy the ptofits that large landowners once had it must be, they reason, because corrupt Government officials are taking the money -- a phenomenon which exists but which does not, by any means, explain the present poverty of the region.*



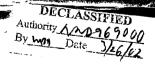
^{*&}quot;The Maya owned his own land, could raise corn or henequen as he pleased, and had fair use of the processing equipment and the selling agency. The Revolution was complete. Yet he still starved. He had traded one master for many, and the new masters, lacking the interest of a landholder in the future of the estate, cared only about lining their pockets during a tenure of office. . . . The hierarchy of corruption was dominated by the governors, whose tricks ranged from insurance fees and holding companies to simple seizure of haciendas and henequen warehouses." (Nelson Reed, The Caste War of Yucatán, 1964, p. 267)

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A third factor, traditional Yucatecan distrust of the Central Government and persons from outside the state, is discussed in the next section.

Yucatecan Regionalism (Separatism?)

11. Amconsulate Mérida has pointed out in numerous airgrams (see particularly A-83 of May 26, 1967) the distinction that many Yucatecans make between themselves and Mexicans. More than the regional pride which such usage has come to imply in the U.S., or elsewhere in Mexico, it is indicative of deep-seated resentment and distrust. A host of factors enter in. Yucatan is still a highly Indian state. As late as 1960 44% of the population spoke an Indian language, more than in any other state of Mexico. The ethnic base is Maya, a factor which links Yucatán to Campeche and Quintano Roo, but which sets it off from most of the rest of the country. More than any of the other Indian sub-cultures, perhaps excepting the Aztec, the Maya can look back to a flourishing civilization of their own. They never formed part of the Aztec Empire and, after the Conquest, the Yucatan Peninsula formed part of a Capitania General distinct from the Virreinato of New Spain. For a short period in the early nineteenth century Yucatan was an independent state. It then voluntarily joined Mexico, only to see its territory successively dismembered during the period 1821 to 1901 (the two most important divisions being the creation of the separate state of Campeche in 1852 and the creation of the Territory of Quintana Roo in 1901). Today Yucatán is the smallest of the three Mexican political subdivisions on the peninsula. Maya antagonism to all things Spanish or Mexican reached its peak during the Yucatan Caste War. That half-century struggle which cost an estimated 200,000 lives pitted the rural Indian population (often led by mestizos) against the white and mestizo town inhabitants. Brutal Federal repression finally brought hostilities to a close during the first decade of this century, but only after a number of semi-independent Maya states had existed for many years in what is now Quintana Roo.



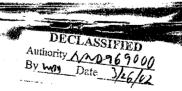
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- 12. Policies of the nineteenth century alienated much of the Indian population. The Revolution and its radical aftermath cost the Central Government the support of Yucatan's white upper class. There was even an abortive secession attempt in 1917 in which Indian and upper class white were allies.
- 13. Geographical isolation has been a contributing factor to Yucatecan regionalism. The first all-weather road linking Mérida to Mexico City was not completed until 1960. Economically Yucatán has always looked more toward the U.S., Cuba and Europe than toward the Mexican heartland. The tying of Yucatán to the Mexican economy has meant higher prices for manufactured products there than almost anywhere else in the Republic.
- 14. Nowadays there are few Yucatecans who take their separatism seriously. But there are many who retain a sentimental attachment to the idea. At a minimum it serves as an emotional escape valve. It may have some value as a means of putting pressure on the Central Government. Because of the strong regionalist sentiment the Government and the PRI have long tried to staff their positions in the state with Yucatecans born and bred. To the contrary, but for the same basic reason, the Mexican Army prefers to staff its garrisons in Yucatan with non-Yucatecans -- a policy which is only occasionally followed elsewhere in the country.

RECENT POLITICAL HISTORY: THE URBAN POLITICAL REVOLT

15. Economic influence and social status in Yucatán descend along a color spectrum from white to Indian brown. Political power resides in the predominantly mestizo urban middle class. (See Merida's A-28 of June 29, 1969.) Despite the economic, racial and historical factors discussed above in this airgram, which might lead us to suppose that impoverished Indian peasants and/or disgruntled white oligarchs constitute the chief opposition to PRI hegemony in Yucatán, the precipitating elements of the

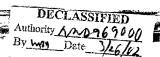


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current crisis were the urban middle and lower-middle classes. In 1967 elections Mérida voters went against the PRI by a margin of 3 to 1 in electing a PAN municipal government. In other cities there were reports of rank and file dissatisfaction with the candidates "imposed" by the official party. In 1967 also, as a result of the strong anti-PRI feeling in Mérida, the PAN succeeded in electing two of its members to the nine man state legislature—the only PAN state deputies in all of Mexico. The success of the PAN in Mérida, and its growing strength in other urban centers, has provided that party a base from which to attack the demographic underpinning of PRI strength—the rural Indian population.

- 16. It is important to examine and suggest some possible explanations for the urban political revolt of 1967. Quite possibly, in this respect at least, events in Yucatán have parallels elsewhere in Mexico. In 1967 the PAN also won the state capital of Sonora -- Hermosillo. In 1968, in the view of many observers, it won the municipal elections in Mexicali and Tijuana. We noted in Embassy airgram 166 of March 31, 1969, that the PAN is strongest in urban areas; in more general terms there is a positive correlation between PAN strength and states with a predominantly urban population. Overall, in 1960, Mexico's population was slightly more urban than rural. Yucatán, 59.8% urbanized, ranked sixth in that year.
- 17. After the Revolution the urban middle class in Yucatán inherited political power from the white upper class. Agrarian reform measures won the support of the peasantry, and official party organizational techniques, a monopoly of coercive force, and the political passivity of the peasants combined to exclude opposition political influences. The white upper class has served as a useful political whipping boy although, in fact, many of its members have long since made their peace with the system in order to protect and further their economic interests. Political power gave the middle class politicians access to the economic resources of the



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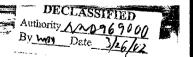
state (including those that flow from Federal Government participation in the henequen industry). Patronage and graft fed a political machine that seemed to work as well in Yucatán as elsewhere in the country until the mid-1960s. We may attribute its collapse in Mérida in 1967 to the following factors:

The Evolving Political Role of the Middle-classes in Mexico

18. As the principal beneficiaries of the Revolution the middle classes have tended to play a stabilizing and conservative role in Mexican politics. Members of the middle calsses, after all, held the dominant positions in the political system. Middle class citizens, not themselves involved in politics, were uninclined to be overly critical of how the system worked -when they compared current stability to the chaos and bloodshed of the period 1910-1929. However, as the urban middle-classes have grown, as their members have taken political stability and their control of politics more for granted, once positive or neutral attitudes have become increasingly negative. Middle class citizens pay more attention to governmental inefficiency and corruption. As important taxpayers, collectively if not individually, they have an economic stake in good government. As educated persons they tend to look down on traditional political techniques. They, more than any other social grouping, are subject to the cognitive dissonance which years of talking about democratic process, while seldom allowing it in practice, have produced.

The Absence of a Large Industrial Labor Sector

19. The root causes of low industrialization are the chronically depressed state of the henequen industry and the Government's preoccupation with that industry to the neglect of economic diversification. In political terms it means that the PRI has not been able to balance urban middle class discontent with hierarchically organized and controlled labor union voters. Lower economic strata in Mérida and other Yucatán cities are dominated by artisans and persons in the tertiary sector. They are more likely to note the abuses and failures of

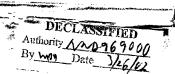


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Government than any positive relationship between their low standard of living and party regularity. Many must have voted for PAN candidates in the 1967 dections.

Bad Political Leadership

- 20. In a state sorely beset by economic problems, at least partly attributable to external causes, we hesitate to place too much blame on local leaders. But it is hard to escape the conclusion that protest against official incompetence and corruption contributed heavily to the PAN's 1967 victories. Yucatān seems to have had more than its share of mediocrities in the executive mansion and, given the gubernatorial influence over lesser appointments and nominations, the general level of political leadership has been low.
- 21. In choosing governors for poor or problem states the PRI frequently reaches into the Mexico City bureaucracy, choosing a man who has long been absent from his home state. There are a number of reasons for this. In poor states opportunities are limited and the best men tend to gravitate to Mexico City. Dependent as they are upon federal funds the poor states usually need a governor with good connections at the center. Poor states are more prone to caciquismo and this, if not interrupted by the appointment of an outsider, reduces the freedom of the Federal Government in the state and tends to increase the level of political frustration and discontent. However, in Yucatán, because of strong regionalist sentiment and despite the factors listed above, the PRI has usually picked a governor with good local connections. The results have been disappointing.
- 22. The present Governor of Yucatan, Luis Torres Mesías, took office February 1, 1964. Yucatecans were inclined to be sanguine. Torres Mesías had been a reasonably good and popular mayor of Mérida a few years earlier. He was close to Lopez Mateos. He had spent all of his career, except 1961-63 when he was a federal deputy, in Yucatan. His predecessor, Agustín Franco Aguilar, had been an accomplished crook and this, in a perverse way, gave the citizenry reason to



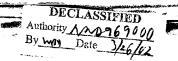
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think that matters would improve. (A still earlier Governor, Tomás Marentes Miranda, was so bad that he had to be removed in mid-1953 after only a year and a half in office.)

23. The hopes did not last long. Perhaps because Franco Aguilar had done such a good job in cleaning out the state treasury and in making off with the easily obtainable graft. Torres Mesías found it necessary to dig more deeply. By mid-1966 his chief lieutenant (Julio Bobadilla Peña, now a Federal Deputy and a sometimes mentioned gubernatorial precandidate.), a man not known for excessive scruples, was openly disgusted, and a year later there were very positive rumors that Torres Mesías was on his way out. In addition to being corrupt, Torres Mesías offended local opinion by consorting openly with his mistress. As the 1967 elections approached local opinion categorized the Governor, somewhat kindly, as an "adulterous mediocrity." The PRI Mayor of Mérida, then finishing his term of office, was described as "an incompetent, an embezzler and an alcoholic." (See Mérida's A-19 of October 26, 1967.)

The Potable Water Problem

24. Contributing to the unpopularity of the Governor and Mayor was the potable water problem. In the early 1960s a loan had been contracted with the Inter-American Development Bank to build or expand potable water systems in a number of Yucatán cities, Mérida among them. In 1967 as the work was nearing completion it was discovered that the rates would be much above earlier charges and, indeed, well above the prevailing rates in Mexico City. Strong protests resulted and many persons refused to be connected to the new system in Mérida. At about the same time the Yucatán State Government defaulted on its payments to the IDB and the Federal Government, apparently disgusted with the continuing drain of the state on federal funds, suspended all federal public works projects. There were cries of outrage against the Federal Government, but many Meridanos accepted the PAN argument that the excessive water rates and the insolvency of the State Government were yet more proof of PRI incompetence, or worse, at the state and local levels.



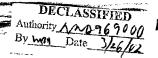
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The Role of the Diario de Yucatan

25. PRI officials attribute a very important role to the newspaper Diario de Yucatán in assessing the PAN's 1967 victories. For a number of years prior to 1967 the Diario de Yucatán had had a reputation as an independent journal of muckraking proclivities. The paper is owned by relatives of Mario Menéndez Rodríguez (now editor of the violently oppositionist national magazine Por Qué?) and in the early 1960s Mario worked on the Diario. Much of the newspaper's criticism pointed toward the relations of government officials at the various levels and, of course, the PRI came in for its share. Official concern about the role of the Diario de Yucatan may have contributed to the 1965 founding of the Novedades de Yucatán. (There had been and still is a smaller pro PRI-Government paper, the Diario del Sureste.) But the Diario de Yucatán continued to be the most influential newspaper in Mérida, perhaps throughout the state, and in 1967 it came out strongly in support of the PAN slate for the Mérida city government. Since then it has remained largely partisan toward the PAN and against the PRI. It provides the PAN with a great deal of favorable publicity; it serves as a check of sorts on arbitrary abuses of power by the PRI-Government. (The example of the Diario de Yucatán helps to explain the importance that the PRI and the Government attach to "responsible" journalism elsewhere in the country; e.g. the Excelsior case.)

SIGNS OF UNREST IN THE COUNTRYSIDE

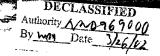
26. While urban revolt in Mérida sparked the present crisis the forthcoming gubernatorial election will be won or lost in the countryside and in the smaller towns. The PRI is less sure of its control of this numerically dominant portion of the state than at any time in the past forty years. Signs of increased peasant militancy abound. Peasants are less patient with continued economic stagnation or with the political intrigues of their leaders. They object to the efforts of the Banco Agrario and Cordemex to improve Yucatan's henequen



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crop -- which in immediate practical terms mean more work for no more money and the rejection of low quality fiber. They are more inclined than ever to believe the stories of corruption and misuse of public funds -- especially since the directors of both the Banco Agrario and Cordemex are Mexicans and not Yucatecans. Leftist forces may be active in the countryside but the PAN, as the only viable political alternative at the present time, stands to gain most from campesino and small town militancy.

- 27. Peasant marches on Mérida and meetings in smaller towns. accompanied at times by violence, have been a common feature of the Yucatan political scene during the past two and a half years. In February, 1967, Amconsulate Mérida referred to the "pattern of violence which has been developing in Yucatán since the riots of September, 1966." Marches on Mérida, to date, have been directed against the Government henequen control mechanisms and institutions: demanding the ouster of Banco Agrario and Cordemex directors; the relaxation of quality control measures; the granting of Christmas bonuses. In June, 1969, however, there was a reported offer by the town of Tizimin to send 1500 men to support the PAN administration in Mérida against the PRI state government. Demonstrations and disturbances outside of the capital have generally resulted from power squabbles between different factions of the PRI or between priistas and panistas. Recently there appear to have been more of the latter type, although there is evidence from Amconsulate Merida to suggest that some of these supposed interparty clashes have been trumped up by the PRI as a pretext for cracking down on PAN elements.
- 28. There seems little doubt that PAN influence in the countryside and in smaller cities is growing. In November, 1968, a PAN spokesman claimed 82 committees scattered throughout the state and said that the party was particularly strong in Valladolid, Izamal, Motul and Ticul. In June of this year a PAN official claimed that the party would have 15,000 members (of which 7,000 in Mérida) by the time of the election and that it would carry the state on the



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strength of the potentially large anti-PRI vote. At the end of 1968 Mérida Mayor Victor M. Correa Racho printed a glossy, attractive, booklet on his first year in office. It was given wide distribution throughout the state, to the benefit of the PAN's image. That the PRI is uncertain about its support outside of Mérida is attested by changes in several municipal administrations during recent months (see below):

THE PRI FIGHTS BACK

- 29. The PAN victories in 1967 were an upset for the PRI. They constituted a severe personal political disaster for Governor Luis Torres Mesias. The election of Victor M. Correa Rachó as PAN Mayor of Mérida was as much a protest against the PRI state administration as against the outgoing PRI city administration. The potable water problem cut across jurisdictional lines. Meridanos noted that the Governor's brother, Jorge, was a Mérida councilman and city treasurer.
- 30. Yucatán has been a PRI-PAN battleground during the past twenty months. Various political interests are at stake on the PRI-Government side, largely coinciding but perhaps not always well coordinated. Until the beginning of this year the dominant theme seemed to be an almost personal struggle between the PRI Governor and the PAN Mayor, Torres Mesías attempting to rescue his shattered political career and Correa Rachó trying to convert his present position into a stepping stone to the governorship. Since the early part of this year the national PRI organization has taken a much firmer hand in directing political affairs in Yucatan. The Governor may not be reduced to figurehead status, but he is certainly coordinating his actions with national officials. A third element, as the PAN has showed increasing strength in the countryside, have been attempts by local caciques and politicos to preserve their positions -- i.e. by breaking up PAN meetings and by other harassing tactics.
- 31. The highlights of the struggle between Mayor and Governor (including incidents outside Mérida which may or may not have had gubernatorial encouragement) are the following:

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Torres Mesias, apparently from the very beginning of Correa Racho's term of office, has attempted to reduce the funds available to the city administration. Initially he blocked the normal transfer of state funds to the city. In April, 1968, the state legislature denied permission to a Merida banker to make a loan to the city. At present steps are under way to give the State authority to collect certain taxes previously collected by the City and to discourage Mérida businessmen from paying assessments to the city administration. Throughout the period there have been rumors that the Governor would depose the PAN city administration. In March, 1968, there were rumors of an incident in which a few persons would be killed, thus giving the Governor a pretext for stepping in. In August and September of last year there appears to have been a concerted effort to buy off PAN elected officials and leaders. One of the six PAN municipal councilmen did separate himself from the party, amidst a flurry of charges and countercharges. One of the PAN's two state deputies also defected. In December and January peasant protests against the Banco Agrario. while not directly related to the PRI-PAN conflict, prompted PRI charges of PAN involvement and no doubt provided the PAN with some political mileage. This past March and April PAN speakers, including the national Secretary General, were physically attacked when speaking in smaller towns outside Mérida. In June, after a student-police clash which the PAN labelled contrived. Torres Mesias placed the Mérida police force under state control. The PAN called for a series of work and traffic stoppages and organized a series of protest meetings. The PRI countered with its own demonstration and the state legislature expelled the one remaining PAN deputy. (In contrast to the situation in Mérida, the PRI Governor of Sonora and the PAN Mayor of Hermosillo appear to get along fairly well.)

32. Governor Torres Mesías has never seemed the best man to lead the PRI's counterattack in Yucatán. His personal vendetta with the Mayor has rather added to Correa Rachó's popularity, both within and outside Mérida. In March, 1969, the National Executive Committee (CEN) of the PRI appointed Federal Deputy Oscar Ramírez Mijares (D.F.) as General Delegate to the State, and Federal Deputy Ignacio Pichardo Pagaza

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(Mexico) as Special Delegate to the City of Mérida. About the same time the CNC appointed Federal Deputy Celestino Salcedo (Baja California) as its Special Delegate. The other two sectors may also have appointed special representatives. We believe that these men have had the most influence in reorganizing and strengthening PRI forces in recent months. Before enumerating some of their activities it is worth pointing out that some national PRI concern about the trend of events in Yucatán was already evident last year. In June 1968. Díaz Ordaz paid a rare presidential visit to the state and was well received personally. He inaugurated a harbor at Yukalpetén (which, according to a recent Excélsior story, has since fallen into almost complete abandonment). In August of last year the CTM organized the Federacion de Trabajadores del Estado de Yucatán, presumably in an attempt to bolster the labor sector in the state.

- 33. A major effort of the national PRI officials at work in Yucatán is that of reorganization: i.e. replacing old faces with new, inert party hacks with aspiring activists. It is a standard PRI panacea, which usefully precludes the need to discuss issues, but its efficacy cannot be discounted. Even with respect to Yucatán, where numerous new faces have come and gone while conditions changed very little, PRI partisans argue in all seriousness that there is still basic loyalty to the PRI and that all that is necessary is a good house cleaning. They may be right.
- 34. The first victim was the state leader of the PRI. He was deposed in March and since then General Delegate Ramírez Mijares has been de facto head. In May a new PRI committee for Mérida was named. Special Delegate Pichardo Pagaza then turned his attention to strengthening the PRI sectional committees in the capital. Outside Mérida there have been reports of a number of changes in ejido comisariados and municipal governments. Allegedly the ousted leaders were pro-PAN. (See Merida's A-37 of July 31, 1969.)

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35. The most important personnel selection task relates to the choice of a successor to Torres Mesias. There can be little doubt that the PRI is giving serious thought to picking the best man. Whereas in most gubernatorial selections the eventual winner is fairly obvious months ahead of time, the issue in Yucatán is still very much in doubt within weeks of the expected announcement. From appearances it would seem that the PRI is on the horns of the old dilemma: a local politician who will satisfy Yucatān regionalist sentiments, or a politician from the center who will be more likely to give capable and honest leadership. Wealthy PRI supporters attempted to give PRI President Alfonso Martínez Domínguez a third option when he visited Yucatán in April: the nomination of a businessman who, because he was non-political and already wealthy, could be counted upon to give good government. But AMD demagogically rejected the idea that the economic power holders should also be the political power wielders (a precept not always adhered to elsewhere in the country). Still another possibility was recently reported by CAS: that the PRI would not nominate anyone, instead backing an independent candidate. Conceivably, this might be a respected Mérida professional with little previous political background.

36. But the choice of a politician still seems the most likely and we suspect that the PRI, after its unhappy experience with Torres Mesias, will give more weight to the personal qualities of the candidate than to his arraigo local. This inclines the balance toward Yucatecans currently holding office in Mexico City. If, as cannot be ruled out, the November election is disputed and the weight of the Federal Government is needed to maintain PRI control, it will be doubly important to have a Governor whom national leaders know and trust. Of Yucatecans with national stature, the most frequently mentioned is Senator Carlos Loret de Mola. A descendent himself of the casta divina, he has been criticized by fellow aristocrats as not two faced but ten-faced. An American businessman resident in Mérida has described him as a crook. But these seem isolated criticisms. He is not overly identified with unpopular governors,

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past and present, and has fairly good local contacts for a man who has spent much of the past twenty years out of the state. He has a reputation as a good Catholic, a factor of some importance in Yucatān. Federal Deputy Victor Manzanilla Schaffer has also been mentioned frequently. He is personally honest and is an expert on agrarian affairs, but has very little arraigo and there have recently been newspaper suggestions that he was born in Morelos (presumably a disqualifying factor). Hydraulic Resources Secretary Jose Hernández Terán has received some mention. He would be the most prestigious nominee, but he is practically unknown in Yucatán and few believe that he himself would want the job.

37. In addition to changing personnel at various organizational levels, PRI national officials have certainly given considerable attention to the agrarian sector as a whole. The Yucatan PRI has been deeply factionalized in recent years, in good part as the result of peasant discontent and frustration. Politicians attempting to use that discontent to further their own careers have had to champion the grievances of the peasants against the Banco Agrario and Cordemex. These institutions, with substantial resources at their disposal, are not defenseless and indeed, often have the agrarian leaders on their own payrolls. The result is a complex tangle of personal ambitions, party loyalty and co-optation. Torres Mesías, with little support from above or below, has seldom seemed in control of the intriguing factions. Since the 1967 elections the PRI and the Government have taken a generally conciliatory attitude toward the peasants, constrained however by reluctance to back track on efforts to rationalize the henequen industry. Christmas bonus demands this past December and January were substantially granted. Last year the Government changed the director of the Banco Agrario after peasant protests. Within the past month the CNC has raised the possibility of mixed commissions, including peasants, for the classification of henequen. The use of force and imprisonment has been restricted to groups of peasants thought to be in league with the panistas. The buying off of present and emerging peasant leaders probably remains the major PRI tactic for controling the agrarian sector.

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38. A third element in PRI strategy for the control of Yucatán is a vigorous propaganda campaign against the PAN. PRI leaders lose no opportunities to portray it as the party of the casta divina, the Church and reaction. There is appeal to both race and class differences. As Amconsulate Mérida has pointed out, the PRI seems determined to wage the present political campaign against Porfirio Díaz. The highlight to date of this aspect of the PRI's efforts was the late April visit of PRI President Alfonso Martínez Domínguez. The results were at best mixed. AMD's threat that a PAN Yucatan would be isolated from the rest of the country (i.e. from federal funds) may have provided sardonic satisfaction for the more militant oppositionists but in general was poorly received. His antagonizing of wealthier PRI elements has already been mentioned. Quite possibly PRI strategy in this election year includes an explicit leftist appeal. The recent appointment. of the PRI-communist Hernán Morales to head the Yucatán Centro de Estudios Políticos, Económicos y Sociales (CEPES) may have been with this end in mind. But it is difficult to imagine what concrete leftist gesture the PRI-Government can make before the election. And simple demagoguery may have limited appeal to either urban or peasant populations at this juncture in the Yucatán political crisis.

LOOKING AHEAD

39. Our best estimate at the moment is that Correa Rachó will be the PAN candidate for Governor of Yucatán, that Loret de Mola will be the PRI candidate, and that the election will be held as scheduled on November 23 (despite a recent passing rumor that both Correa Rachó and Torres Mesías would be removed from office and the election postponed one year). Assuming that the election is held we foresee three possible scenarios, listed in order of likelihood.

A Legitimate PRI Victory

40. By legitimate we mean anything short of the falsification of votes and partisan counting. It does not rule out PRI efforts to bribe or coerce voters in its favor ot to impede access to voting booths of panistas. These tactics have always formed a part of the political control mechanism in Mexico and their use

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once again in Yucatān this November will not unduly excite public opinion. It is not certain, however, that PRI victory will depend on these questionable practices (although they will certainly help to boost the winning percentage). PAN hopes for victory rest on anti-PRI feeling, not on loyalty to the PAN. The PRI's fence mending efforts of recent months are undoubtedly paying some dividends and the choice of a respected gubernatorial candidate could sway many border-line dissidents. While Yucatecans, both urban and rural, resent PRI threats to isolate the state in the event of a PAN victory, they are not unaware of the tremendous dependence of the state on federal funds. The realization may well prove sobering as the election draws nearer.

A Rigged PRI Victory

41. This might involve the blatant falsification of votes, the arbitrary determination of a PRI victory regardless of the contents of the voting boxes, or (as happened in Baja California last year) the throwing out of election results favorable to the PAN -- i.e. the annulment of the election. PRI officials in Mexico City and in Yucatán have stated flatly that the PRI will win the dection and that while it may well lose in Mérida it will carry the country-side overwhelmingly. They make no bones about the fact that the rural vote will be rigged if necessary -- perhaps even if not, since the PRI has traditionally erred on the side of caution. Rigging in Mérida and other cities will be more difficult, but cannot be ruled out. As a last resort the PRI-Government has the option of annulment, claiming irregularities on both sides.

A PAN Victory

42. We rate this possibility very low. The official party has not lost control of a state government in forty years. The month in which the PRI will probably announce its next presidential candidate, and at a time in the six year political cycle when all efforts are directed toward achieving near national unanimity, does not seem the most likely occasion for such a precedent. While a

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recognized PAN victory would probably not open the floodgates to opposition voting throughout the nation, as some panistas claim, powerful elements within the PRI are probably still unwilling to take that chance. There is, nevertheless, some slim chance of a PAN victory. Peasant discontent may be more unreconcilable than we now estimate. The PRI's choice for governor, Loret de Mola or someone else, may not prove as popular as the PRI hopes. If continued PRI control depends in the last resort on annulment of the elections, the last minute decision may be to recognize a PAN victory.

- 43. In the likely event of a PRI victory we foresee an increase in the potential for violence in Yucatán, worsening of PRI-PAN relations and a resurgence of self-criticism from within the PRI. The strength of these reactions will depend in some measure on whether the election is legitimate (in the sense defined above) or obviously rigged.
- 44. There have been a number of reports in recent months of actual or potential peasant violence (other than that directed from above). Prior to the visit of Martinez Dominguez to Yucatan PAN officials were reported disarming peasant sympathizers. An ambulance followed the PRI President on his tour. On July 1 metropolitan newspapers reported an attempt by a peasant mob at Hunucmeto lynch local PRI leaders. There were rumors of PAN incitment but Amconsulate Mérida found no confirmation. In June Mérida newspapers reported the existence of a guerrilla group in eastern Yucatan. The Army has denied the report, but Amconsulate Mérida has been told by one informant that this is a cover up to discourage like-minded dissidents. The Mexican Government and Army seem themselves to be concerned about the potential for violence in the state. The state takeover of the Mérida police force was a minor step in the direction of ensuring complete control of coercive force. A CAS source, perhaps exaggerating, reports plans to move 15,000 troops to the Yucatán area before the elections. Mérida's A-36 of July 31, 1969, reports the exchange of an army battalion, stationed for some time in Yucatán, for a politically more reliable battalion from Veracruz -- in part confirming the earlier CAS information.

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45. We doubt that the PAN will call for peasant violence. National party officials will presumably exercise a restraining influence on local militants. Leading panistas are subject to a variety of pressures of an economic nature, and the urban base of PAN support in Yucatan will be wary of encouraging anything approximating the Indian uprising of the last century. But the possibility of spontaneous outbursts of violence in the countryside, and perhaps also in the cities, remains. It is

46. A PRI victory will place new strains on the national-level relationship between the official party and its chief opposition, and it will weaken the PAN internally. While the dominant group in the PAN in recent years has advocated responsible opposition in the belief that the PRI will eventually permit fuller opposition political participation, a vocal and not insignificant segment denies that the PRI will ever voluntarily surrender its political monopoly. Not by nature revolutionists, these minority panistas are more inclined to register their protest by abstaining from political participation. (See A-166 of March 31. 1969.) By design the PAN has scheduled its national presidential nominating convention for the period October 31 to November 2. Party leaders want to have the presidential choice out of the way before the Yucatan election and they envisage a possible visit by the candidate to Yucatan prior to the state election. No matter how the PRI wins that election there are certain to be PAN protests. If it is blatantly rigged, it is possible that the PAN will decide not to contest the national presidential election. There will be pressures from within the PAN to adopt this policy. Alternatively, the PAN may continue in the presidential contest, basing much of its campaign on the alleged fraud in Yucatán (as well as that in Baja California in 1968). A campaign waged essentially against the authoritarian methods of the PRI and Government will not be conductive to good relations between the two parties. And it will exacerbate present divisions within

47. It is interesting to speculate, although we can do no more, about a possible PRI effort to placate the PAN. An understanding that would assure the PAN a senate seat in 1970 (perhaps in Yucatán but more probably in the Federal District) might be

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part of such an effort. Alternatively the Government might hold out the hope of senadores de partido, similar to the present diputados de partido, a gesture that would require a constitutional amendment and could not become effective before the 1976 elections. A gubernatorial election is scheduled for Baja California in 1971 and in that 80% urban state, especially after what happened in the municipal and state deputy elections in 1968, the PRI may feel it has no chance whatsoever to win fairly. It may promise the PAN a fair election in that state two years from now -- a time in the six year political cycle that may not be viewed so critically.

- 48. A PRI victory that is at all questionable will rekindle criticism within the PRI, directed in part against the leaders in power, but more generally against a political system that at times rides roughshod over public opinion. Especially among younger priistas there is a sincere belief that continued PRI domination of Mexico's politics can only be justified on the basis of popular support. They are less willing than their elders to overlook, or reverse, embarrassing incidents. This attitude applies in even greater measure to the student population, which may have the right to vote in the 1970 election and which the PRI would like to bring within its ranks.
- 49. In the unlikely event of a PAN victory in Yucatán we anticipate effects somewhat, but not entirely, opposite to those that will result from a PRI victory. In Yucatán itself there will be a period of unease, perhaps accompanied by violence, during which die-hard priistas attempt to provoke Federal intervention. At the national political level the PAN will be greatly strengthened and will be encouraged to wage the presidential campaign on social and economic issues rather than on strictly political -- the fact of PAN victory in Yucatán will partially vitiate the charge of PRI-Government dictatorship. We doubt that PAN electoral victory in Yucatán would precipitate a major shift in the balance between the two parties nationwide. The PRI remains the

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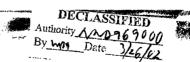
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party of the Revolution. Its control mechanisms in less troubled areas than Yucatan remain effective. The PAN lacks the personnel and the resources to reach very far outside the cities. A PAN victory in Yucatan, by serving as an escape valve for doubts and criticisms presently evident both within the PRI and the larger voting public, may rather have the effect, at least in the short run, of strengthening support for the official party.

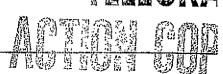
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Department of State

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RECEIVED: Sept. 12, 1969

12:33A.M.

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P 120012Z SEP 69 FM AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 1344 BT S E C R E T MEXICO 5007

WODIS

REF: STATE 153261

EYES ONLY FOR SENDERS REFTEL

1. CARRYING OUT OF INSTRUCTIONS CONTAINED REFTEL SOMEWHAT HAMPERED BY TOTAL PREOCCUPATION OF HIGH MEXICAN OFFICIALS WITH MARRIAGE OF PRESIDENT DIAZ ORDAZ SON TOMORROW (FRIDAY) AND MEXICAN NATIONAL HOLIDAYS MONDAY AND TUESDAY. NEVERTHELESS, I HAVE APPOINTMENT WITH FOREIGN SECRETARY CARRILLO FLORES ON FRIDAY, 12:30. I HAVE ALSO SENT A MESSAGE (BY SAFE CHANNEL) TO INTERIOR MINISTER ECHEVERRIA INFORMING HIM THAT I WISH TO SEE HIM ABOUT THIS MATTER. ATTORNEY GENERAL WAS BELIEVED LEAVING FOR US AND UNAVAILABLE UNTIL SEPTEMBER 25.

2. FROM THIS VANTAGE POINT IT APPEARS THAT REPEATED LEAKS HAVE NOW MINIMIZED POSSIBILITIES OF SUCCESS OF OPERATION INTERCEPT AND THAT ITS VALUE, AS AGAINST DAMAGE IT WILL CAUSE IN OUR RELATIONS WITH MEXICO, SEEMS TO HAVE DECREASED GREATLY. LEAKS FROM US NAVY (WHICH EVEN INDICATED DATE OF OPERATION) AND THROUGH NEW YORK TIMES HAVE OBVIOUSLY ALERTED EVERONE TO NEED FOR CAUTION IN THEIR NEFARIOUS OPERATIONS, AND DOUBTLESS THOSE INVOLVED HAVE TAKEN PRECAUTIONS TO RIDE OUT STORM. WHILE I AM AWARE OF ENORMITY OF PROBLEM, I WONDER IF OPERATION INTERCEPT IN ITS PRESENT MARRED CONDITION IS REALLY WORTH RISKING SERIOUS DIFFICULTIES WITH MEXICANS.

3. I WILL REPORT MEXICAN REACTION TO RATHER GENERAL BRIEFING WHICH REFTEL AUTHORIZES.

MCBRIDE

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	Reviewed by: Ambassador W. Witman, I

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Department of State TELEGRAM

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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC PRIORITY 1386

SEC_RET MEXICO 5076

EXDIS

ACTION COPY

REF: STATE'S 153621 (NODIS) MEXICO'S 5050 (NODIS)

SUBJECT: OPERATION INTERCEPT.

1. IN ACCORDANCE REFTELS, AT NOON TODAY I SAW SECRETARY OF INTERIOR (GOBERNACION) ECHEVERRIA AND DISCUSSED WITH HIM PROBLEM OF NARCOTICS, MARIJUANA AND DANGEROUS DRUGS, INCLUDING SPECIFICALLY OPERATION INTERCEPT. AS INDICATED IN MY TELEGRAM ON THIS SUBJECT OF SEPTEMBER 12, ECHEVERRIA HAS NOT BEEN AVAILABLE EARLIER. DCM ACCOMPANIED ME.

2. I EXPLAINED BACKGROUND OF OPERATION INTERCEPT AND REFERRED TO SPECIAL PRESIDENTIAL TASK FORCE REPORT OF JUNE 6, COPIES OF WHICH I LEFT WITH HIM. I STRESSED IMPORTANCE OF THIS PROBLEM TO USG AND VERY GREAT CONCERN OF PRESIDENT NIXON AS WELL AS OUR DETERMINATION TO BRING IT UNDER CONTROL. I TOLD HIM THAT IT HAD BEEN FOUND NECESSARY IN WASHINGTON TO ANNOUNCE OPERATION INTERCEPT OVER THE WEEKEND. I EMPHASIZED OUR APPRECIATION OF THE VALUABLE COOPERATION WE HAVE HAD IN THE PAST FROM MEXICAN AUTHORITIES AND EXPRESSED OUR HOPE THAT SUCH COOPERATION WOULD CONTINUE. ADDING THAT WE WANTED TO DO WHATEVER WE COULD TO AVOID UNNECESSARY PROBLEMS FOR THE MEXICAN AUTHORITIES IN THE IMPLEMENTATION OF OPERATION INTERCEPT, I INVITED HIM TO LET ME KNOW IF AT ANY TIME HE SAW SOMETHING WE COULD DO TO HELP MINIMUZE DIFFICULTIES THAT MIGHT ARISE/WITHOUT, OF COURSE, EMASCULATING PROGRAM.

3. ECHEVERRIA LISTENED INTENTLY AND SAID THAT MARIJUANA USE WAS ALSO A PROBLEM IN MEXICO. BEYOND THIS HE WAS FAIRLY NON-COMMITTAL, ALTHOUGH HE VOICED NO EXCEPTION OR RESERVATIONS ABOUT OPERATION INTERCEPT.

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- 4. THE QUESTION OF HOW LONG THE INCREASED SURVEILLANCE WOULD LAST DID NOT ARISE.
- 5. COMMENT: GIVEN HIS GENERAL NATURE AND PROFESSIONAL RESPONSIBILITIES ECHEVERRIA COULD BE EXPECTED TO BE AMONG THE MOST UNDER STANDING IN GOM OF OUR NEED TO DEAL WITH ILLEGAL DRUG TRAFFIC. HE SEEMED SATISFIED WITH MY EXPLANATION ABOUT THE ANNOUNCEMENT OF OPERATION INTERCEPT WITHOUT ADVANCE NOTIFICATION. ALTHOUGH HE EXPRESSED NO CONCERN ABOUT OPERATION INTERCEPT AT THIS PARTICULAR MEETING I THINK IT MAY BE THAT HE DID NOT GRASP FULLY THE INCONVENIENCES AND DIFFICULTIES THAT IT MAY CAUSE, AND WE WHOULD BE PREPARED FOR HIM OR OTHER GOM AUTHORITIES TO REVERT TO THIS SUBJECT WITH SOME VIGOR ONCE THESE BECOME KNOWN.

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Reviewed by: Ambassador W. Witman, II



Department of State Proposition

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P 191836Z SEP 69 FM. AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 1413 RECD: September 19, 1969 S E C R E T MEXICO 5122

CONTROL: 5111Q

5:15 P.M.

NODIS

1. AFTER CAREFUL CONSIDERATION, I BELIEVE IT WOULD BE UNWISE TO ATTEMPT ANY FURTHER BRIEFINGS OF MEXICAN OFFICIALS HERE RE-GARDING "OPERATION INTERCEPT". WHEN DATE IS FINALLY ANNOUNCED I WOULD RECOMMEND WE SIMPLY INFORM ACTING FOREIGN MINISTER APPROPRIATELY. OUR CONCERN OVER THIS ISSUE HAS BEEN MADE KNOWN AT EVERY CONCEIVABLE OCCASION AND AT EVERY LEVEL INCLUD-ING PRESIDENT DIAZ ORDAZ SINCE THE DAY OF MY ARRIVAL, AND I BELIEVE THERE IS NOTHING TO ADD. I HAVE APPOINTMENT WITH ATTORNEY GENERAL ON SEPTEMBER 25 WHICH I WILL KEEP AND BRIEF HIM GENERALLY IN LIGHT OF THEN EXISTING SITUATION. FOREIGN SECRETARYJ WILL BE IN NEW YORK AND CAN BE INFORMED ONCE MORE BY U.S. OFFICIALS THERE. I BELIEVE IT WOULD BE SERIOUS ERROR TO SEEK OUT INTERIOR MINISTER AGAIN ON THIS SUBJECT AS HE IS FULLY AWARE OF OUR VIEWS.

2. WHEN THIS OPERATION IS PUT FULLY INTO EFFECT, IT MAY WELL HAVE CATASTROPHIC CONSEQUENCES IN TERMS OF OUR RELATIONS WITH MEXICO BUT I WOULD LIKE TO MAKE IT ABSOLUTELY CLEAR THAT THERE IS NOTHING FURTHER WE CAN DO HERE TO CUSHION THE IM-PACT. WE WILL SIMPLY HAVE TO HOPE THAT OTHER CONSIDERATIONS IN OUR RELATIONS WILL HELP US TO RIDE OUT THE STORM.

MCBRIDE

BT

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DEPARTMENT OF STATE

Washington, D.C. 20520

CONFIDENTIAL-

October 2, 1969

MEMORANDUM

TO:

Honorable Richard Kleindienst

Deputy Attorney General Department of Justice

FROM:

Chris G. Petrow, Country Director

Office of Mexican Affairs

SUBJECT:

Operation Intercept

- 1. <u>Purpose</u> The purpose of this memorandum is to summarize the diplomatic aspects of Operation Intercept as well as the Mexican reaction to it.
- 2. Diplomatic Initiatives The urgent U.S. concern about the drug abuse problem was transmitted to the Mexican President in July by Ambassador McBride and again on September 8 by President Nixon at the Amistad Dam meeting. In addition, briefings on the scope of Operation Intercept were given to the selected GOM officials, including the Secretary of Government, 10 days before the Operation began. Notification of the start of "Intercept" was given one day in advance to the Acting Foreign Secretary by Ambassador McBride, and to the Mexican Ambassador here by officers of the Department of State.

We had hoped that advance notification of the purpose and scope of "Intercept" would not only impart to the Mexicans a sense of the seriousness of our

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determination to stop the drug traffic, but would also give them proof of our willingness to take them into our confidence. Our efforts in this respect were marred by press leaks - the first on August 28 in regard to placing Tijuana off-limits to military personnel, the second on September 8 to the New York Times, which gave some details on the proposed Operation Intercept. These leaks somewhat negated the benefits of advance private briefings and cast doubt on our willingness to take the Mexican authorities into our confidence.

Finally, when "Intercept" began, the Department provided guidance to all Consuls in Mexico for handling inquiries and instructed Consuls to brief key Mexican local and state officials.

3. Mexican Reaction - As expected, "Intercept" has provoked strong hostility from commercial and civic organizations in the larger Mexican border cities where traffic delays have been severe. Revenue from tourism and retail sales has no doubt dropped.

Beyond the border areas, there is also strong discontent, although it is somewhat less intense. In reacting to "Intercept" the Mexicans are inclined to relate it to old and often unconnected grievances. Hence "Intercept" is not only judged on its own merits but is also considered as another harassment from the powerful northern neighbor. The problem not only stems from traffic delays and business losses, but perhaps even more fundamentally from a feeling of wounded dignity on the part of the Mexicans inspired by the intense personal search they are subjected to. Mexican sensitivity about their dignity, their suspicion that at heart Americans regard them as inferior beings, causes them to react at a high emotional pitch.

There has been a tendency for the Mexicans to consider retaliation by promoting a boycott of U.S. border cities. Some U.S. merchants and commercial groups have expressed concern over this possibility.

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On the Governmental level, the Mexican response was initially noncommittal as they did not apparently fully comprehend what was involved. In recent days, however, under heavy press, commercial and other pressures, the Mexicans have taken several initiatives: 1) Foreign Secretary Carrillo Flores and Ambassador Margain have both informed us of Mexico's serious concern about repercussions of "Intercept" in the border area; 2) President Diaz Ordaz referred to "Intercept" in derogatory terms during a toast to the U.S. astronauts visiting Mexico City; 3) only one Mexican Cabinet Minister attended Ambassador McBride's reception for the astronauts although the entire Cabinet was invited; and 4) Carrillo Flores has sent a personal message to President Nixon on the subject of "Intercept." In addition, the Government-dominated press has shifted from an initially tolerant attitude on "Intercept" to an increasingly strident tone of hostility It is clear that Operation Intercept as it is currently being carried out has damaged and is continuing to damage our relations with Mexico.

- 4. Proposed Bilateral Meeting on Intercept In response to Carrillo Flores' appeal for some action to placate Mexican public opinion, Secretary Rogers, on September 27, advised Carrillo Flores of our readiness to meet with appropriate Mexican officials to discuss "Intercept." Action is under way to arrange such a meeting.
- 5. <u>Comment</u> As noted above, the hostile reaction from Mexican border interests was anticipated. Although reports from our border posts in the past few days indicate that passions may be cooling somewhat, we believe Mexican anger will continue as long as the Mexicans do not receive what they consider courteous treatment as equals, the traffic tie-ups are not relieved and business losses are not alleviated. Mexican-organized "boycotts" may have some temporary success in certain cities but are very unlikely to prosper on a border-wide scale.

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The negative reactions from the Mexican President and press are stronger than expected. We believe this is in part due to ire over discourteous treatment, dramatized by an unfortunate incident at El Paso in which the Mexican Consul General was subjected to a rigorous customs inspection, and in part to a persistent stream of U.S. press speculation that the "true" purpose of "Intercept" is to coerce Mexico into greater action on narcotics by willfully damaging border revenues.

We feel it is particularly important to act in a manner not offensive to the Mexican sense of dignity and to especially avoid recurrence of incidents like that in El Paso. We understand the Bureau of Customs has taken measures to this end.

The Mexican Government will probably attach much importance to the meeting of enforcement officials, and will give it much publicity, since participation in the meeting would constitute the "action" the Mexican border interests, and the country at large, are demanding of the GOM. We expect that the Mexicans will press for measures which will ease the main problems described above. Any measures which we can take without impairing the objectives of "Intercept" should be given careful consideration.

The Mexicans may also repeat their request for additional materiel for their own eradication programs.

In short, the official Mexican reaction to "Intercept" has been more hostile than anticipated and, if it continues, may well affect U.S.-Mexican relations in areas unrelated to narcotics control. However, we believe that our acceptance of their proposal to hold bilateral talks will lead, at least temporarily, to abatement of the hostile reaction.



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ACTION ARA 20.

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R 211640Z OCT 69; FM: AMEMBASSY MEXICO TO: SECSTATE: WASHDC 1745

C. O. N. F. I. D. E. N. T. I A LI MEXICO 5683.

IN THE WEEK, BEFORE THE NEGOTIATIONS: IN MEXICO CONCERNING TOPERATION COOPERATION IS ONE OF WATCHFUL WAITING ACCOMPANIED BY A BARELY CONCEALED HYPER SENSITIVITY ON THE PART OF MEXICAN OPINION FOLLOWING THE WASHINGTON JOINT COMMUNIQUE, OF OCTOBER OF THERE WAS A PERIOD OF EUPHORIA WHEN MEXICAN OPINION BELIEVED THAT PROBLEMS ON THE BORDER, ARISING FROM US DRUG CONTROL MEASURES WERE TERMINATED. SINCE THEN IT HAS BECOME APPARENT THAT US OBJECTIVES REMAIN UNMODIFIED. INDEED, FOLLOWING THE REMARKS OF DEPUTY ATTORNEY ** GENERAL KLEINDIENST, THERE IS APPREHENSION THAT WE GIVE A HIGHER PRIORITY TO DRUG CONTROL IN THE UNITED STATES THAN TO GOOD RELATIONS WITH LATIN AMERICA. THIS HAS BEEN THE INTERPRETATION OF SOME WHO HAVE TALKED WITH ME ABOUT OUR PUBLICLY EXPRESSED DETERMINATION TO CARRY ON ALONE, IF NECESSARY.

2. AMONG OFFICIALS THERE IS OPTIMISM THAT "OPERATION COOPERATION" CAN BECOME A REALITY. MEXICAN GOVERNMENT CIRCLES DO NOT KNOW ANY MORE THAN I DO WHAT WILL BE OUR CONCEPT OF "COOPERATION". HOWEV.

THEY HOPE THAT A WORKABLE PROGRAM CAN BE DEVELOPED WHICH WILL CONTINUE TO MAKE EVERY POSSIBLE DIFFICULTY FOR DRUG SMUGGLERS. PERMIT A NORMALI BORDER TRAFFIC AND COMMERCE. WHILE AT THE SAME TIME NOT INFRINGING HONOR OR SOVEREIGNTY. ALTHOUGH THIS MAY TAKE QUITE A BIT OF DOINT. I AM CERTAIN THAT THE PRINCIPAL MEXICAN OFFICIALS CONCERNED - THE PRESIDENT. THE SECRETARIES OF INTERIOR AND FOREIGN AFFAIRS AND THE ATTORNEY-GENERAL. HAVE THIS AS THEIR OBJECTIVE. I BELIEVE THAT THE U.S. DELEGATION WILL: FIND THEM IN A REASONABLE MOOD. ESPECIALLY SINCE ALL: HAVE A STRONG DESIRE FOR A CORDIAL AND INDEED SPECIAL RELATIONSHIP.

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Department of State

TELEGRAM

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PAGE 02 MEXICO 05683 2117312

WITH THE UNITED STATE.

3. OUR DELEGATION NEXT WEEK WILL BE WORKING IN: A GOLDFISH BOWL! IN: LIGHT OF THE INTENSE INTEREST HERE IN THE NEGOTIATIONS. IF THE PROPOSALS MADE FOR COOPERATION ARE ONES WHICH CAN BE ACCEPTED BY THE MEXICAN GOVERNMENT AND WHICH ACHEIVE THE THREE OBJECTIVES OUTLINED IN THE PRECEDING PARAGRAPHS I AM MOST HOPEFUL! THAT WE CANCOME TO A SUCCESSFULLEND OF THE WEEK IN MEXICO WITH A MUTUALLY SATISFACTORY COMMUNIQUE WHICH WILL PERMITTTHE CONTINUATION OF RECENT MOST HARMONIOUS RELATIONS WITH MEXICO.

4. IFW AS: I CONSIDER RELATIVELY UNLIKELY. THEREISHOULD BELACRIMONY OR: A BREAKDOWN OF DISCUSSIONS I BELIEVE THE OUTGOME WOULD BE MOST EXCEEDINGLY UNFORTUNATE FROM THE VIEWPOINT OF THE INTERESTS OF THE UNITED STATES IN MEXICO AND THROUGHOUT LATING AMERICA. WHERE MEXICO IS HIGHLY REGARDED. U.S. DIFFICULTIES WITH MEXICO WOULD UNDOUBTEDLY LEAD TO DISAGREEABLE CONSEQUENCES FOR US. IN OTHER COUNTRIES NOT TO MENTION A COLLAPSET OF OUR RELATIONSHIPS OTHER COUNTRY OF THE HEMISPEHERE WHICH IS SOUTHORSELY WATCHED BY OTHER COUNTRES TO SEE IF U.S. PROTESTATIONS OF GOOD FELLOWSHIP CAN BE TAKEN SERIOUSLY.

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to permit political change is not likely to keep up with demands for change, and the proportion of Mexicans in opposition or dissent will increase.

- 2. Some of the political system changes demanded are unrealistic at this stage of Mexico's history and development. Quite apart from the sectarian interests of the PRI we do not foresee in the near future any significant changes in the first two relationships listed above. Third category change is almost equally unlikely. Fourth and fifth category changes are possible during the next few years, but will involve political risks as well as benefits.
- 3. Two highly speculative, but perhaps potentially important, secondary conclusions emerge from this analysis. If demands for political change, expressed by an increasing proportion of Mexicans, exceed change, then the overt use of force in support of and against the established political system may play a greater role in Mexican political life in the early seventies than in recent past decades. The United States, which is the prime inspiration for those Mexicans who seek political change and at the same time is closely linked with what many consider the political status quo, may be increasingly vilified by both sides.

Mexico's Political Culture

4. Robert Scott has estimated that in 1910 90% of Mexico's population were parochials (persons unaware of or rejecting the national political system); perhaps 8-9% were subjects (affected by government services and demands but exercising no control over policy); and no more than 1-2% were participants (those exercising some influence or control over policy). By the early 1960s he thinks these proportions had changed to 25,65, 10.* A Mexican political scientist recently told the reporting officer that his estimate of the number of Mexicans who are "politically aware" is 10%. Gabriel Almond and Sidney Verba in The Civic Culture present a wealth of survey data which tends to confirm this low incidence of political participant attitudes and awareness. For example: 66% of the Mexicans interviewed said that the national government had no effect on their daily lives (vs. 11% in the U.S.); 44% never follow accounts of political and governmental affairs (vs. 19%); 53% could name no party leader (vs. 16%); 50% do not expect equal treatment from the governmental bureaucracy (vs. 9%); 45% pay no attention to election campaigning (vs. 12%);

^{*}Mexican Government in Transition (Revised Edition), p. 317

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only 6% have attempted to influence local government (vs. 28%).*

- 5. For the purposes of this airgram we may conclude that a substantial majority of Mexicans are politically unaware or politically disinterested. National voting figures are not themselves an adequate indication of the number of politically concerned Mexicans. In the two most recent presidential elections (1958 and 1964) 49.4% and 54.0% of persons over 20 were recorded as voting. This was not a great deal less than the U.S. percentages of 63.5 and 62.0 in 1960 and 1964. However, it is generally assumed that Mexican voting figures (for the PRI) are padded. The Mexican political scientist, referred to above, suggests that actual voting may be no more than 50% of the recorded vote. Even if we assume that 35-40% of eligible Mexicans vote, we must still make allowance for that substantial fraction of citizens who vote mainly, or only, because they are told to or paid to. In this respect Almond and Verba report that only 34% of the Mexicans who do vote feel satisfaction when going to the polls (vs. 71% in the U.S.).
- 6. Critics of Mexico's political system assert that voter disinterest is attributable to the hegemonic position of an official party. Why bother to vote when the outcome is a foregone conclusion? Some support for this thesis can be found in a 1967 paper by José Luis Reyna.** Expecting to find a positive correlation between socio-economic development and electoral participation, he found just the reverse. The Mexican states (including the Federal District) which scored high on development (circa 1960) ranked relatively low in electoral participation (1958 figures). The poorest, most agricultural states tended to rank highest in participation, as measured by voting statistics. Reyna avoids one possible conclusion-- that voting statistics in poor areas are grossly

The Civic Culture presents comparative survey data for the U.S. Great Britain, Germany, Italy and Mexico. The Mexico sample (of 1007 persons) differed from the others in that it did not include anyone in towns of less than 10,000 population. A fully representative sample, giving due weight to the small town inhabitant and isolated campesino, would make the disparities between the U.S. and Mexico even greater. The survey dates from 1959.

^{** &}quot;Desarrollo Económico y Participación Electoral", <u>Ciencias Políticas</u> y <u>Sociales</u>, No. 5, Oct.-Dec. 1967 (UNAM)

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distorted. He attributes the high vote in these areas to the personalistic nature of politics (<u>la política de clientela</u>); and the low vote in developed areas to political apathy in the face of extreme centralization of power. However he also notes that despite the relatively low electoral participation in developed areas, the percentage of the vote won by opposition parties is much higher there than in the backward states.

- 7. Perhaps a more basic explanation of the political disinterest of the average Mexican is that political culture changes very slowly. In 1920 when there was no official party, and a heady revolutionary euphoria, only 34.8% of eligible Mexicans (males) voted. Ernest Gruening writing in the late 1920s commented on the "utter failure to date of any growth of democratic practice."* Many Mexicans fail to vote because they have little conception of the relationship between voting and public policy, much less any perception that they themselves might influence policy. Numerous observers have commented The same may be said of many who do vote. upon the identity, in the minds of more humble Mexicans, between the official party and the government. If they have heard of an opposition party at all it is probably only through the condemnatory propaganda of the PRI. There is little realization that the heart of political participation involves choice (unless, with the Partido Acción Nacional, we can interpret the large abstention percentage as a negative choice against the PRI and the government).
- 8. The slow growth of political awareness, and particularly of participant attitudes, is an important contributing factor to Mexican political stability over the past forty years. At least equally important was the fact that Mexico's leaders were able to coalesce into one political party which has: appropriated to itself the mantle of the Revolution, generally prevented issues of public policy from becoming matters of public debate, and effectively restricted the access of opposition groups to the electorate. That the PRI is the party of the Revolution and that the majority of Mexicans cannot yet conceive of any alternative are still of paramount, if diminishing, importance in Mexican politics.
- 9. The key question, asked by many and for a long time, is how much longer this state of affairs will or can continue. There is a tendancy, when confronted with the facts of overwhelming PRI electoral victories and near monopoly of office holding, to locate significant change in the Mexican political system at some far distant date. On the other hand, it may be more important to disregard the apolitical mass and concentrate our analysis on the politically participant minority.

^{*} Mexico and Its Heritage, p. 393

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- 10. If we assume that Scott's estimate of 10% political participants is reasonably accurate, we may estimate that 30-40% of this group is composed of oppositionists or dissidents. Here we are not talking about those who disagree with one or another social or economic policy but rather those who are in disagreement, to varying degrees, with the political system. Approximately 6% of all eligible voters supported the PAN in the 1964 presidential election.* Many of these voters, especially rural clerical elements within or on the fringes of the PAN, are no more participant in their political orientations than their opposite numbers in the PRI. But the PAN is primarily an urban middle class party and it seems certain that its ranks contain a much greater proportion of politically aware citizens than is true of the PRI. Within the PRI there is a small but probably increasing number of dissidents who, while they vote for and may even work within the party, are there in good part because they do not yet see a preferable or viable alternative. Some students and intellectuals fall in this category. Perhaps the bulk can be found in that portion of the socially and economically integrated urban population which abstains from voting. These persons are not politically disinterested in the same sense as an illiterate peasant. In sum, a substantial proportion of politically aware Mexicans are actual or potential oppositionists.
- 11. As Mexico progresses socially and economically the proportion of citizens with participant orientations will increase. Within this group the proportion of oppositionists may also increase because, for one reason, aspiring politicians will begin to see more viable alternatives outside the official party.
- 12. The ways in which social and economic progress affect political culture are multiple. Almond and Verba examine one facet, the effect of education, in their survey. The number of Mexicans who follow accounts of politics (regularly or from time to time) increases from 51% among those with primary education or less, to 76% among those with some secondary education, to 92% among those with some university education. Membership in voluntary organizations increases from 21% to 39% to 68% (according to educational level). Urbanization and industrialization are other trends which tend to support participatory political attitudes, in part because they bring people together in situations in which group decision-making, aggregation of interests and conciliation of differences begin to be important, in part because people

^{*} The Partido Popular Socialista (PPS) and the Partido Auténtico de la Revolución Mexicana (PARM) supported the PRI candidate. The PPS and its supporters are disregarded in this airgram because they have little interest, certainly not sincere, in democratic political change; it is not clear how the PARM differs from the PRI except in desiring more patronage and offices for its own members.

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learn that organized political behavior can produce results, and in part because they become exposed to opposition or dissident political voices, perhaps for the first time. Urbanization is proceeding at a rapid rate in Mexico. According to one projection Mexico will be 59.5% urban (towns over 2,500) by 1970 (vs. 35.1% in 1940). Perhaps more important, 45.3% of the population will live in cities of 10,000 plus inhabitants by 1970 (vs. 21.9% in 1940). Urbanization, of course, increases access to education. The proportion of the work force in the industrial sector is increasing slowly but steadily -- from 13.8% in 1940 to 15.5% in 1960.

13. The expansion of communications and transportation networks, apart from contributing to urbanization and industrialization, may have a more direct impact on political attitudes. Whereas in 1940 there were only 10,000 kilometers of improved roads, in 1965 there were 58,300 kilometers. The transistor radio has become a common sight in the Mexican countryside and there is now a national television network.

The Proponents of Change

14. Political change is being advocated by the PAN, by a small minority of <u>priistas</u> and by a number of intellectuals. The student population might be considered a voice for political change, but its demands to date have not been well focused.

The PAN. The current theme of the Partido Acción Nacional is "Democratic Change of Structures." In its platform approved at the 20th National Convention last February (see A-166 of March 31, 1969) and on frequent occasions since the PAN has advocated directly, or implicitly through its criticisms, reforms of every type discussed in this airgram (see Summary, or next section). That the PAN should be such a strong advocate of political change is not surprising. As the largest opposition party it could reasonably hope to gain most from changes in the direction of a more open and democratic political system. The institutional interests of the party complement the political beliefs of some of its members.

PRI Dissidents. The best known and most influential of the PRI dissidents, until his death last June, was Carlos A. Madrazo. During 1965 Madrazo was president of the PRI. He attempted to vitalize the party by initiating primary elections at the municipal level, by giving the rank and file a voice in the selection of party leaders, and by a massive program of individual re-affiliation. He foresaw the eventual disappearance of the sectoral form of party organization. He urged the party to play a more vigorous role in proposing and pushing social and economic legislation. Madrazo's efforts to alter the structure and workings of the PRI, and its relationship to the government, led to his ouster. However, he continued to advocate these political changes until his death. (See Embassy memcon of March 20, 1969.)

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- 15. Some persons question Madrazo's dedication to democratic political change, except insofar as this increased his own power as PRI president. Regardless, he gathered around him a group of younger political aspirants who sincerely believed in his professed goals. While some lost or resigned their party positions when Madrazo departed, others have continued in the PRI or government. Most remain convinced that political changes are necessary. Symptomatic of the views of these younger PRI dissidents are the opinions expressed by Luis Macías Carbone in his licenciatura thesis (Sociología y Politica de la Juventud Mexicana) completed in March of this year. Macías views the student movement of last year as a "social reform phenomenon, carried out by middle class portions of the youth population, supported by some worker sectors," aimed at mobilizing popular political consciousness against "the monopolistic character of political power, against social and educational control systems, and against the economic disequalities existent in our society." He describes the PRI as going through "a profound crisis owing to its corrupted systems." He views government tactics to "conciliate, constrain or divide the student sector" as only temporarily effective. In the long run they will "produce an accumulation of disagreements that ... will explode violently."
- 16. The chief public spokesman for PRI dissent during the past year has been ex-Senator Manuel Moreno Sánchez. Since July, 1968, he has written an article per week for <u>Excélsior</u>, criticizing the excessive concentration of power in the federal cexecutive and in the federal government vis-a-vis the states and municipalities, the subservient position of the official party to the government, the internal workings and structure of the official party, and the reluctance of Mexico's leaders to permit the growth of a strong opposition. (See A-191 of April 9, 1969.)
- 17. Recently the ranks of the dissidents have been joined, albeit in a milder manner, by Luis Encinas Johnson, the Governor of Sonora from 1961 to 1967. In his book, La Alternativa de México, Encinas Johnson acknowledges that until recently political reform has had to take a back seat to economic and social changes, but that the time has now come in which Mexico can safely proceed toward a more democratic and open political system. He suggests that a great deal can be accomplished simply by a changed attitude on the part of Mexico's leaders, a determination to respect the will of the people and to eliminate electoral fraud and the use of unfair advantages by the official party. He hints at structural and procedural changes within the PRI and comes close to urging the selection of party candidates by means of primary elections. He recommends government electoral subsidies to all parties based on the percentage of vote obtained.

18. Yet another dissenting voice is that of Roberto Casillas H., a professor of law at UNAM and author of the recently published Crises en Nuestra Estructura Política. Casillas begins with a long discussion of articles of the Constitution which are consistently violated or ignored. He examines the weakness of the legislative and judicial branches of government and the breakdown of federalism. He criticizes the PRI for having become no more than an electoral appendage of the government and for failing to reflect or represent the interests of its members. He draws hope from a perceived 50-60 year cycle in Mexican politics: the last positive transformation occurred in 1917 and therefore the next may be approaching. He calls for political change in the direction of effective democracy.

Other Critics. A number of writers, primarily academics, touch at times on the need for political change. The historian, Daniel Cosío Villegas, also writing in Excélsior, has been the most persistent during the past year. Another is the philosopher Leopoldo Zea (Novedades) who in the late 1950s was head of the PRI's Institute of Political, Economic and Social Studes (IEPES). Cosío Villegas professes to see a dire similarity between Mexico of today and that of 1910 in the degree to which power has become concentrated in the federal executive. He attributes the declining influence and attraction of the PRI to its subordination to the government. Zea views the manner of selecting political leaders as Mexico's greatest problem.* He believes that the tremendous demographic and economic growth of Mexico in recent decades threatens to burst asunder political institutions devised for a much simpler era.

Varieties of Political Change

19. In reviewing Mexican political history of the past forty years one: can easily come to the conclusions: 1) That nothing basic has changed; and 2) The trend has been toward more centralized, authoritarian control of political decision-making. On the other hand, loyal priists never tire of enumerating the political system changes that have occurred: the various transformations of the

^{* &}quot;The alternative is no longer between local bossism (caciquismo) and centralism, but between centralism and citizenship [i.e. popular participation]. (Zea)

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official party, the electoral law of 1946, the franchise for women and the impending vote for 18 year olds, the <u>diputado de partido</u> procedure for giving minority parties larger representation in the Chamber of Deputies, numerous changes in PRI statutes, and a variety of experiments with different means of choosing party officials and party electoral candidates. Vicente Fuentes Díaz, now the semi-official PRI historian, argues that "the history of the PRI, in a certain sense, is a history of permanent and realistic adjustment of its internal procedures to the needs of the party and to the civic evolution of the country."*

20. The critics of Mexico's political system sometimes ignore the fact that the present system is the product of Mexico's history and underlying political culture. From this point of view many of their demanded or desired political changes appear highly unrealistic, at least for the indefinite future. Changed relationships between the branches of the federal government, between the federal, state and municipal governments, and, to a lesser extent, between the government and the official party, fall in this category. Although to some degree straw men, they are still worth discussing. Changes in the PRI-Government's attitude toward opposition and dissent, and in the internal structure and workings of the PRI seem to offer more possibilities in the years immediately ahead.

A Changed Power Relationship Between Branches of the Federal Government

- 21. The government of Mexico is the executive branch. This is true at both the state and federal levels. It is safe to say that the federal congress (Chamber of Deputies and Senate) never takes any action that is not agreeable to the president. Some might argue that it never does anything unless first told to. Congressional approval of the budget is a formality. Not since 1938 has the approved budget differed by more than 0.2% from the budget presented by the executive branch. In recent years, more often than not, there have been no changes. Furthermore, many budgetary items are approved at nominal amounts, subject to automatic increase by the executive. The approved budget bears only limited relationship to actual government spending.
- 22. The President has a number of means of ensuring congressional docility. He, or his predecessor, has the deciding voice in

^{*} Los Partidos Políticos en Mexico (2nd Edition), p. 244.

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determining who will be offered legislative seats. Once nominated and elected, congressmen are rewarded financially on the basis of their loyalty and usefulness to the party. The basic salary is minimal (1,000 pesos per month in the Chamber). Much more important are the various allowances and subventions distributed largely at the will of the majority leader in each house. Because congressional service has come to be primarily a way station en route to executive command posts, or a reward for loyal service, PRI politicians are quite unlikely to step out of line.

- 23. We know less of the judiciary, but there is little reason to think that it exercises any more political independence than the legislature. The Supreme Court has constitutional authority to declare laws and acts unconstitutional, but almost never intrudes in this area. It is empowered to investigate and decide electoral disputes, but the decision to do so or not (there are regular requests from opposition parties and dissident groups) is uniformly made by the President and his closest political advisers.
- 24. While critics see executive concentration of power as the prime manifestation of what is wrong with Mexico's political system, it seems likely to be one of the system's more enduring features. A recent apologist for "el sistema presidencialista mexicano" claims to find a similar tendency toward centralization of power in other advanced or modernizing countries.* In Mexico the problems of nation building and development are still so vast that it is difficult to foresee a situation in which one final and supreme arbiter of national policy would no longer be needed. This certainly will not come to pass so long as the PRI remains united and in hegemonic control of the nation's political life.
- 25. Executive dominance is in some respects the natural product of all the other political ills from which Mexico is said to suffer: a one party system; the structure and methods of that party; the limited and closely controlled role of the opposition; ineffectual federalism. Some token gestures could be made now toward strengthening other branches of government: immediate reelection for congressmen, permitting the development and accumulation of legislative expertise; higher fixed salaries, thus eliminating one form of executive coercion. But diminution of executive (i.e. presidencial) control

^{*}Manuel Bartlett in Pensamiento Político, September, 1969

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of Mexico's politics is more likely to be the long term result of lower level political system changes, discussed in some of the following categories.

A Changed Relationship Between Federal, State and Municipal Governments

- 26. For practical purposes federalism does not exist in Mexico. Despite formal separation of jurisdictions there are few, if any, things the federal government cannot do at the state and local levels it if so wishes. Normally, of course, there is no question but that state and local officials will follow instructions from the center. If municipal leaders get out of line they can be removed by the governor. If governors get out of line they can be removed by the President through the thinly veiled intermediary role of the Senate. (Article 76 of the Constitution empowers the Senate to declare that "the constitutional powers of the state have disappeared." The Senate then selects a new governor from a list of three names submitted by the President.) In recent years the removal of governors has become infrequent (the last time in 1966) and it is normally for incompetence or to mollify disgruntled citizens, not because the governor in question has challenged federal authority.
- 27. The states and municipalities are highly dependent on the federal government for almost everything beyond the payment of their own bureaucracies and basic maintenance. Federal government revenue in 1962 was 76% of total revenue at all levels (vs. 64% in the U.S. in 1963). However, of the 24% corresponding to the states and municipalities, 11% was collected by the Federal District (Mexico City), only 10% by all the other states combined, and only 3% in the approximately 2,300 municipalities. 1969 budget data provide another way of viewing the concentration of wealth in Mexico. No less than 60.2% of federal revenue is to be collected in the Federal District. On the expenditure side only 24% is to be spent in the Federal District. The difference, presumably, constitutes the amount to be spent by the federal government elsewhere in Mexico, either directly or through grants to states and municipalities.
- 28. As with executive dominance over the legislative branch of government, the federal control of the states and municipalities is facilitated by the PRI's centralized selection of office holders. The President has the final say in picking governors. Once installed, a governor has considerable power within his state, but subject to continuing federal overview. He normally determines who is to get municipal posts. But here too PRI central headquarters can step in by naming state or special delegates, responsible directly to PRI leaders in Mexico City.

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- 29. A reversal of the trend toward centralization of political power in the federal government is not imminent. Regional disparities are still too great to permit each state and municipality to go its own way. Advocates of functioning federalism argue that the states and municipalities should be given assured access to larger amounts of tax revenues. But this ignores the fact that most are very poor and are net recipients of resources. If the federal bureaucracy is at times corrupt and incompetent it is a good bet that the state and local bureaucracies are even more so. Large scale distribution of federal revenues would be of questionable wisdom.
- 30. Added to practical considerations there is an historical argument worth noting. Federalism has traditionally been the cry of the opposition. During the last century it was advocated by the Liberals as a means of reducing the power of the Church and Army. Porfirio Díaz was at one time a federalist. Once in power he found other interests. The new liberals of the Mexican Revolution again raised the banner of federalism. But federalism became an early casualty of the consolidation of political power into an official party. Now, ironically, it is the moderately conservative PAN, with its cherical ties, which is calling for functioning federalism (as are some dissident priistas). After so many attempts and failures there are good reasons for thinking that federalism (which was copied almost in toto from the U.S. political system) is not appropriate to Mexico's conditions and problems.
- 31. This does not, of course, rule out administrative decentralization. As Mexico becomes more complex and developed we would expect to see more delegation of administrative authority, most probably within federal government entities but perhaps also working through state and municipal organizations. The problem of who is to control the bureaucracy, which also disturbs many people, relates back to the question of congressional subservience to the executive and, in part also, to the evolving and future role of the opposition in Mexico (see below).

A Changed Relationship Between the Official Party and the Government

32. The symbiotic relationship of the PRI and the government is an established fact of Mexican political life. The politically unsophisticated, who are many, probably consider them one and the same.*

^{*}Moreno Sánchez describes an inventory ordered by the Government of Aguascalientes which was found to include the offices and furnishings of the local PRI committee -- located in the government constructed Casa del Pueblo.

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Political historians like to argue that at first the party was the dominant element in the relationship, but that gradually and inexorably it has lost power to the formal government structure. Many critics now profess to view the party as little more than an electoral appendage, perhaps with some slight role in the selection of candidates, but most important as an instrument for mobilizing the They argue that the PRI should set itself masses on election day.* apart from the government, suggesting that the party itself become the voice for change and reform -- not simply, as at present, an echo or sounding board for policy decisions already taken or planned by the executive branch of government. This was the point of view of Madrazo. It is the position put forth by Moreno Sánchez, Cosío Villegas and others. The idea receives lip service on a continuing basis from party and governmental leaders. And, in a sense, this is the formally structured role of the PRI's Institute for Political, Economic and Social Studies (IEPES), of which there are dependencies in each of the states and major cities.

- 33. There is a real question how much can be done in this direction. The PRI, as presently constituted, is more an instrument of political control than of leadership. It can hardly be otherwise so long as the party aspires to embrace an overwhelming majority of the nation's citizens, not simply on election day but year-around as party members. (In this respect Mexico contrasts sharply with other one-party states, mostly communist, in which official party membership is restricted to an elite.) The price of universal support is pervasive blandness; in practical terms it means that the party itself does not and cannot make any important decisions. These are left to the President, who has the prestige, patronage and resources to keep dissident factions in line and to bring their leaders to his point of view. The idea of rank and file revolt against party leadership, such as occurs from time to time in the U.S., is almost inconceivable. What we would in fact be talking about would be a split within the PRI which would lead to the formation, at least temporarily, of a new party.
- 34. Recently PAN leaders have seemed to be approaching from a different angle the problem of separating official party and government. PAN President Manuel González Hinojosa suggested that the next administration should include members of other parties (presumably, even in cabinet positions). Although there is no substantiating data, it may be

^{*}Frank Brandenberg (The Making of Modern Mexico) argues that the real power structure of Mexico focuses on the President without the intermediary of the party.

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that the dominance of the government over the party has already progressed to the point where PRI activism and loyalty is no longer an absolute requirement for government position. As governmental needs become more technical and complex more and more positions may be filled by men who are priists only post facto, if at all. But this is still a long ways from opposition participation in government.

35. The most effective means for reversing the present subordination of the official party to the government would be to invert the present procedures for selecting party candidates and officials — i.e. to allow rank and file membership to exercise an effective voice rather than the present system of imposition from above. In many cases the results might be the same. But the change would be basic. And, as PRI leaders discovered at the time of the Madrazo experiments with municipal primaries in 1965, it could open a political Pandora's box.

A Larger and More Accepted Role for Opposition

- 36. There are two ways for the PRI-Government to approach this variety of political change. The first might be termed the laissez-faire approach: let opposition groups organize at will, remove present controls from the press and other media, attempt to ensure electoral honesty. In other words, allow opposition political activity the freedom which official rhetoric already ascribes to it. A change of this sort in the attitudes of PRI-Government leaders would have some immediate effects. The opposition parties, particularly the PAN, could win a considerable number of seats, including the occasional governorship and senate seat. On the other side of the ledger, one of the prime reasons for dissent from the PRI would be eliminated. However, a change of this sort, in what is often openly acknowledged as a guided democracy, is quite unlikely. First and foremost, the nation's political leaders would fear for the continued viability of the PRI coalition. It would be difficult to take the wraps off the opposition without undermining discipline within the official party. Second, there is the possibility, voiced optimistically by the PAN, that once it was demonstrated that opposition parties could win elections and take important office the numbers of their supporters would swell dramatically.
- 37. It is much more probable that the PRI-Government will continue to opt for the second course, that of graduated concessions to the opposition. In effect, this is what Mexico has had for the past forty years. The Electoral Law of 1946, which spelled out electoral procedures and gave minority parties representation on the Electoral Commission, was one such concession. The diputado de partido system for giving minority

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parties larger representation in the Chamber of Deputies may also be viewed as such. A number of others are already in the realm of public discussion. The PAN has proposed senador de partido representation for minor parties in the Senate. And it would favor changes in the present diputado de partido arrangement to make it easier for opposition parties to exceed the present limitation of 20 seats (now only possible if all seats are won outright). In 1967 the PRI Governor of Michoacan, Agustín Arriaga Rivera, proposed the extension of the diputado de partido system to state legislatures, in which, at the present time, there are no minority representatives. In his recent book Encinas Johnson came out in favor of campaign subsidies for all registered parties, graduated on the basis of size. Presumably the PAN would be the chief gainer not only because it is the largest opposition party but also because it is generally assumed that the PPS and the PARM already receive official funds; and the PRI has many semi-official channels of enrichment.

38. Alternatively, if the PRI-Government does not want to institute further formal mechanisms for encouraging the opposition, it could view the problem on an ad hoc basis: a few more federal deputies elected outright, perhaps a senate seat or two, even a governorship. This would be a modified laissez-faire approach and might well involve one step backwards for every two forward.

Changes Within the PRI, Structural and Procedural

39. Although it is fashionable to scoff at the real power of the party (as opposed to that of the government), the PRI remains the foundation stone of Mexico's political system. A changing PRI-Government attitude toward the opposition, and graduated increases in its role, may eventually bring about significant change in Mexican politics. Change could come much more quickly by altering the structure and procedures of the official party. Paradoxically perhaps, there is more willingness on the part of political leaders to juggle with the PRI, than to manipulate some of the other relationships discussed in this airgram. They reason that if the PRI is losing support it is because it is no longer responsive to popular demands and aspirations; and that this can be remedied by structural and procedural changes. There is a long history of actual or attempted adjustments. The two reincarnations of the official party, from the PNR to the PRM in 1938 and then to the PRI in 1946, are examples. Throughout its forty years the official party has experimented with a variety of techniques for choosing its leaders and internal representatives. In 1959 and again in 1965 there were experiments in the manner of selecting electoral candidates. Since 1945 there have been a number of efforts to reduce the importance of the sectors in the party organization. Except for a period during the 1930s the efforts of the reformers have been in the direction of making the official party more open and democratic. In restrospect the judgment may be that they failed. But intentions may count for more than

and

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results and new pressures for change may surface when the next President takes office.

40. The problem that all reformers have faced is that significant change, even of the most incremental variety, immediately challenges vested political interests and raises the threat of still more upsetting changes to come. Madrazo's experiments with primary elections at the municipal level provide a good example. Not only did this invade upon the previously accepted "right" of governors and jefes politicos to pick city leaders, but it was seen as the first step toward similar primaries at higher levels and toward the elemination of the traditional division of offices between the sectors. The selection of candidates and leaders from above and the sectoral form of organization are two very basic features of the Mexican political system. In the last analysis most reformers are attempting to reverse the one and eliminate the other, and this has proved very difficult (impossible?) to do in graduated steps.

41. Perhaps the best hope of the political change advocates is that the sectors will eventually prove incapable of performing their present aggregating and disciplinary functions on a sufficiently wide scale. If, for instance, the labor and campesino sectors had not stayed solidly behind the government in last year's student crisis, or if there had been sectoral splits over the recent choice of Echeverría as the PRI presidential nominee, then many political leaders would have begun to question the raison d'etre of the sectoral form of organization. This is not an imminent prospect, but neither should the status quo be taken too much for granted. The campesino sector, in many ways the most neglected, has spawned a number of semi-political movements protesting the dilatory and "too-conservative" PRI-CNC approach to problems of the countryside. To date, except in very limited areas, they have not constituted a major threat to PRI control of the peasants. The labor sector consists of a substantial number of confederations and federations united loosely in the Congress of Labor. All attempts to form a more powerful administrative and coordinating apparatus have failed. The most powerful element in the labor sector, the Confederación de Trabajadores de Mexico - CTM, suffers from aging and, many would say, discredited leadership. A major reason why the same men have been allowed to dominate the CTM and the labor sector for the past thirty years is that there is real doubt whether any of the possible successors could hold the various labor organizations together. The popular sector (CNOP) is even more heterogeneous. It is the acknowledged catchall for anyone who does not fit into either of the other sectors. Observers have wondered for years how interests that range from those of small farm proprietors to those of

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urban poor to those of commercial groups to those of professionals could all be harmonized under one umbrella organization. The truth, in all likelihood, is that they are not. Except for the powerful civil servants organization (FSTSE) party discipline in the popular sector is probably much weaker than in the other two sectors. Many interest groups probably have channels of communication to the President or to members of his cabinet that depend little, if at all, on the intermediary role of the party. Many persons, who by occupation are ostensible members of the popular sector, are outright adherents of opposition parties. The danger for the PRI with regard to the popular sector is probably less that it will split (although there has been occasional discussion of a student or youth sector) than that it will effectively control a lower and lower proportion of those groups it is supposed to represent.

- 42. A major reason why many critics object to the sectors is that they, like the party more generally, are controlled from above. The most apparent manifestation of this is in the selection of leaders. Furthermore, so long as the sectors persist most party assignments to elective or appointive position must go through the sectoral bargaining process, which tends to insulate such decisions from a more generalized popular will. At present the PRI has distinct, but generally similar procedures for selecting: sectoral leaders; other party leaders (e.g. the heads of PRI sectional, district, state and national committees); and PRI candidates for publicly elected office. All three selection processes are ostensibly democratic. What happens, however, is that the PRI hierarchy at a next or higher level decides beforehand whom it will support. Once that decision is made the contest is over. Backing, sought and granted, from politicians higher up the ladder is a common feature of any political system. In Mexico it is carried to an extreme and the nonfavored generally see no alternative route to success. Presumably PRI leaders could refrain from making their wishes known, leaving the choice up to rank and file membership. (There is some indication that this is occasionally done, especially when a lower level organ (e.g. a sectional committee) is being formed.)
- 43. Initiatives in the direction of more democratic methods of selection seem less likely with regard to internal leaders (sectoral or party committee) than with regard to candidates for publicly elected office.
- 44. In 1959 the PRI experimented with a procedure whereby any 200 members could present a petition nominating a candidate for municipal office. In 1965 Madrazo instituted party primaries to determine the municipal candidates for office. In both cases there were provisions for screening nominations at the state and national levels. Alfonso Martínez Domínguez, since he became party president in 1968, has laid heavy stress on visiting states with gubernatorial elections and carefully sounding public opinion (the <u>auscultaciones</u>) before naming the

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PRI's candidate. In the past few months, before the choice of Echeverría as PRI presidential nominee was announced, there were frequent demands for public debate over the relative merits of the various precandidates. The word imposition is used liberally in describing the PRI technique for choosing an electoral candidate, and it is not simply a sour grapes expression on the part of unlucky aspirants. In short, there is a growing popular demand for a greater voice in the selection of electoral candidates, and the PRI is aware of it. The party cannot be defeated (although it might split) in internal elections. In municipal, state and national elections the attempt to impose an unpopular candidate can result in defeat.

- 45. Having experimented with municipal primaries in the early part of this administration, it is unlikely that the PRI will return to that gambit in the next. Perhaps a less drastic step would be to permit, even encourage, more open prenomination campaigning by candidates. The norm at present is for aspirants to say little until the PRI has made its decision. Often they feign disinterest. It is a minor sin to encourage public manifestations of popular support. Open competition for the party nomination would constitute some threat to party unity and would encourage unrealizable promises. But the PRI hierarchy would retain the final decision and would have a firmer basis on which to judge the relative popularity of candidates (not in itself always a major consideration). However, if opinion is sharply divided, or if the party's final decision seems to go against majority sentiment (as apparently happened with the gubernatorial selection in Sonora in 1967), then this loosening of the reigns might quickly prove unworkable.
- 46. A further refinement would be to limit such open campaigning to positions with little real power -- i.e. seats in the state and federal legislatures. But popular selection, even in this modified form, would make legislators less dependent on executive favor, and would threaten in some limited measure the centralization of political power in Mexico.

Conclusion

47. It should be apparent from the preceding analysis that significant political change is not a high probability expectation in Mexico of the next six years. For every suggestion as to how the system should or might change there are counterarguments (convincing, we believe, to many Mexicans) why: 1) the change would not work in practice; or 2) would be dangerous and undesirable. Mexican leaders are well aware of the unhappy experiences of most Latin American countries with multiparty democracy. But perhaps the root problem is that most PRIGOVERNMENT HEADERS AND SERVICE AND SERVICE S

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democracy, have not really accepted the possibility that an opposition party might someday share power or even replace the PRI in power. Being inconceivable, it is difficult to work towards it in a systematic fashion. A changed attitude in this regard would probably have to come from the President, and he would have to be willing to buck strenuous opposition from important members of his own party.

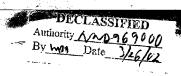
- 48. There is little reason as yet to think that Luis Echeverría is going to play this role. His political career, and he has had no other, is one of steadfast party regularity. He is known to be a firm believer in institutional continuity. He and Carlos Madrazo did not see eye to eye and there has recently been an indication that the PRI will eliminate certain statute changes that Madrazo pushed through but which have been largely ignored since he left the PRI presidency. Panistas are pessimistic about their party's prospects during the next administration and claim that in a conversation with ex PAN President Christlieb Ibarola during last year's Baja California electoral crisis Echeverría intimated strongly that the only way the PAN would get the kind of political system it wanted (or achieve power) would be by armed revolution.
- 49. Until now Echeverría has not been his own man; there is some possibility that he will change his perspective once he is in office. The political change optimists see his youth as a favorable factor and think he will be more open to new ideas. Amconsulate Hermosillo reports a rumor circulating in Sonora that Luis Encinas Johnson (the previously mentioned author of <u>La Alternative de Mexico</u>) is a likely prospect for Government Secretary in the Echeverría cabinet. It seems improbable, but the mere fact of the rumor is of some interest.
- 50. Even if there are some gestures and efforts toward making the Mexican political system more open and democratic we doubt that they will keep pace with demands for change. In this situation the Government may find itself relying more heavily on the police and the army to maintain PRI political domination. It is unlikely that the new administration will allow future student demonstrations to develop to the point they did last year in Mexico City. The incipient violence in Yucatán, which could become much more serious if a PRI victory in next month's gubernatorial election is seen to be clearly fraudulent, may be a straw in the wind. In this respect a PAN spokesman reports that the party has begun to receive attention from radical elements who now view the PAN as a possible instrument for their own violent objectives. Obviously one cannot push this line of speculation too far, since most advocates of democratic political change are inclined toward peaceful methods. But the possibility of violence, occasioned by increasing political frustration, exists.

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In the next few years the U.S. may come to play an increasingly ambiguous role vis-a-vis the Mexican political system. Advocates of democratic political change tend to view the U.S. model with admiration. And the U.S. example exercises subtle influences on the political ideas and aspirations of millions of Mexicans, perhaps most notably along the border. Those who oppose political change will not find it hard to blame pressures in that direction on the U.S. example. At the same time, the repeated affirmations of excellent relations between our two countries, our known preoccupation with problems of security, and the disposition of many Mexicans to believe that our only other foreign policy concern is the protection of U.S. investments, lead some persons currently in opposition or dissent to view the U.S. Government as the chief bulwark of the political status quo in Mexico. We may find ourselves condemned by both sides. This is not a problem which we can or should do very much about at this time. But the question of our relations with and attitudes toward democratic political opposition in Mexico will probably assume greater relevancy within the next ten years.

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उन्ह	*MB	ALTER	mes : Mérida A-46, A-48	
**************************************	16	HAWY		
34	USIA	**************************************	Early yesterday morning (day after the election) the PRI was claiming hugh majorities throughout the state in the	
MSC	10	2	election for governor. One pro PRI newspaper conceded a slight lead to PAN in the city of Merida. The PRI candidate	
6			declared himself victor by 90 percent. The DIARIO DEL SUPESTE, wfficial PRI organ, proclaimed in banner headlines	
	持		Moret de Mola governor for the next six years. The PAN	
	Ž.		claims almost a 5 to 3 lead for its candidate in Merida and gives him a majority of 60 percent statewide on the basis of	٠.
	T.		the returns from those precincts whose tallies it accepts as Legally certified. Unofficially, the Electoral Commission	
	變.,,		has stated that the PRI won in Merida but no breakdown by yoting precinct was disclosed. The Commission indicated that	
	4		, it will not have the final tally for the state for submission to the State legislature until Thursday (November 27).	
1 -77 131	on F	1000 1000	Meanwhile the violence which accompanied the voting seems to	
			have subsided.	
		and the same	Although a number of injuries were reported as the result of the violence, including a police agent and a child wounded	
		*	by gunfire, no fatalities have been confirmed. Several auto- mobiles were overturned and burned in the streets of Merida	
	7		(one belonging to the president of one of the casillas) and several residences used as casillas were vandalized. Schools	
	1		were closed on Monday but reopened today. A reported 100 were jailed Sunday night and Monday morning. Early in the	
			evening of election day the governor. Luis Torres Mesias.	
			came on television to announce that he had requested the commander of the 32nd military zone to take over control of	
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the city and its police. It was later clarified that this did not mean martial law. It has been confirmed that some soldiers had been moved in from Chetumal in Quintana Roo.

The PRI is already celebrating its victory but the final outcome will depend on decisions in Mexico city - whether the PAN will be accorded a just hearing on the appeals it will surely take if the Electoral Commission accepts the contested counts. The PAN organization for checking each polling place has worked efficiently. Each allegation of fraud, irregularity and outright theft seems well documented. Among these (all probably true) are: in 50 out of 176 polling places in Merida and many more in the interior of the state, the duly designated PAN representatives to the watch committees were denieda entry to the casillas leaving them completely controlled by PRI representatives; ballot boxes were simply carried away before the count including several by soldiers; ballot boxes were stuffed before the voting began; voters were allowed to vote for members of their families; polling places were opened late and a number closed before the legal hour of closing with voters still in line; in one precinct in Merida voters were turned away for alleged lack of ballots. According to one report, Graciela Aceves de Romero, one of a group of panista deputies who came to Yucatan to observe the election, was pushed down the stairs in the municipal palace in Citilcum when she was pursuing someone running off with the ballot box.

The PRI charge that the violent incidents were started by panistas is probably true (a secretary of Correa Rachó admitted as much to the reporting officer). The non-violence called for by the PRI throughout the campaign up to the last minute clearly meant, as events have shown, "be docile while we steal the election". The PAN charge that there was wholesale fraud is also beyond doubt. According to all reports, the military guardians of peace behaved less than impartially.

It has been a sordid spectacle.

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SUBJECT: NARCOTICS. MARIHUANA AND DANGEROUS DRUGS: WORKING GOUP REPORT NO. 10

1. IN LAST MINUTE ERUPTION OF THEIR STILL SMOULDERING BITTER-NESS ABOUT OPERATION INTERCEPT AND ABSOLUTE UNWILLINGNESS EVER TO DO ANYTHING UNDER PRESSURE, REAL OR IMAGINED, FROM U.S., MEXICANS TODAY REFUSED TO SIGN JOINT WORKING GROUP (JWG) REPORT DUE DECEMBER 15. ACCORDING TO HUERTA (CHAIRMAN MEXDEL); TRIGGERING THIS POSITION BY MEXICANS WITHIN PAST HOUR WAS AN EIGHT-COLUMN BANNER HEADLINE IN THIS MORNING'S "EL UNIVERSAL": QUOTE NINE MILLION DOLLARS IN ORDER TO MAKE "OPERATION INTER-CEPT" PERMANENT. UNQUOTE SUBHEADLINE READS: QUOTE EVEN EXPERT DOGS WILL BE USED IN (THE MATTER OF MARIHUANA UNQUOTE. SUPPORTING STORY IS BY UPI, DATELINE WASHINGTON, DECEMBER 10, REPORTING ALLEGED TESTIMONY BY ASSISTANT SECRETARY TREASURY ROSSIDES AND CUSTOMS COMMISSIONER AMBROSE BEFORE HOUSE APPROPRIATIONS SUBCOMMITTEE IN A SECRET SESSION NOVEMBER 25. SAYS THAT THE NINE MILLION DOLLARS WILL BE USED TO EXPAND CUSTOMS FORCE BY 300 PLACES AND TO ACQUIRE MORE AIRCRAFT AND OTHER EQUIPMENT IN ORDER TO RENEW OPERATION INTERCEPT WHICH HAD BEEN SUPERSEDED BY OPERATION COOPERATION.



2. REPORT HAS BEEN COMPLETELY AGREED SINCE MONDAY NIGHT AND WAS CLEARED BY THREE GOVERNMENT DEPARTMENS AND CABINET-LEVEL OFFICERS (SEE REFTEL) FOR SIGNATURE ON DECEMBER 10. THERE WAS SOME LAST MINUTE HOLDUP YESTERDAY AS PRESUMABLY PRESIDENT



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DÍAZ ORDAZ HIMSELF: WANTED: TO: CONSIDER: SPECIFIC: LANGUAGE: IN SEVERAL: OF THE REPORT'S KEY RECOMMENDATIONS FINALLY. AT 9'P.M. LAST NÍGHT (WEDNESDAY) HERTÁ SAÍD THÁT GREEN LÍGHT HAD BEEN GIVEN BY GOM FOR SIGNATURE OF REPORT AT 2130 P.M. TODAY. AT WHICH TIME HE: NOTTFIED KUBÍSCH THAT SIGNING WOULD HAVE! TO BE! "DELAYED".

3. KUBISCH EXPLAINED AT LENGTHECTROUMSTANCES SURROUNDING:
GUSTOMS BUREAU SEREQUEST FOR SURPLEMENTARY FUNDS AND POINTED
GUTTTHAT BANNER HEADLINE IN NEWSPAPER WAS NOT SUPPORTED BY
TEXT OF STORY. HOWEVER, HUERTA WOULD NOT BUDGE AND SAID HIS
INSTRUCTIONS WERE CATEGORICAL. AUTHORIZATION FOR HIM TO
SIGN REPORT HAD BEEN SUSPENDED, AT LEAST FOR PRESENT. HE SAID
WE COULD RECONSIDER MATTER OF SIGNING AGAIN ON MONDAY. DECEMBER

4. WE SHALL CONTINUE TO DO WHAT WE CAN TO SURMOUNT THIS LATEST OBSTACLE IN OUR EFFORTS TO OBTAIN BROAD COOPERATION FOR MEXICANS IN ANTI-DRUG CAMPAIGN. TO ASSIST WE COULD USE WHATEVER CLARI-FICATION ON NESPAPER ARTICLE THAT YOU COULD SUPPLY. INCLUDING ANY FURTHER STATEMENTS YOU COULD AUTHORIZE US TO MAKE TO MEXICANS CONCERNING USG ATTENTIONS ABOUT OPERATION INTERCEPT. MCBRIDE

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TO AMEMBASS GUATEMALA

AMEMBASSY MEXICO

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SUBJECT: BORDER CONTROL BETWEEN MEXICO AND GUATEMALA

REFERENCES GUATEMALA 1275

QUEST MADE BY LOPEZ. WE WOULD HAVE TO KNOW THAT GOG ITSELF HAD APPROACHED MEXICANS: TO ASK FOR SPECIFIC KINDS OF CLOSER COOPERATION: (I.E., SPECIAL COMMUNICATIONS ARRANGEMENTS).

EXCHANGE OF INTELLIGENCE, SURVEILLANCE OF SPECIFIED:

INDIVIDUALS, ETC.) & WELWOULD THEN BE WILLING TO FOLLOW

UPIWITH GOM. BASING OUR EXPRESSION OF CONCERN ON FACTITHAT

USGUHAS: VITAL INTEREST AS: RESUMT OF THREATS: TO OUR PERSONNEL
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2. DEPARTMENT RECOMMENDS: THAT AMBASSADOR TELLILDPEZ, THAT GOG SHOULD DETERMINE WHAT IT IS IT SEEKS FROM GOM! IN WAY OFFICOOPERATION AND THEN MAKE! HIGHLEVEL DEMARCHE. USG WOULD THEN BE WILLING GIVEDSTRONG SUPPORT WITH GOM. LOPEZ, MAY NOT BE BEST PERSON TO RELY UPON TO INITIATE ACTION AND YOU MAY WUSH! TO MAKE SOME POINTS: TO FORMIN OR PRESIDENT IF THIS CAN BEDDONE WITHOUT OFFERING OFFENSE TO BE DECE 2.

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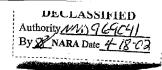
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3. EMBASSY MEXICO REQUESTED TO ADVISE WHETHER IT PER-CEIVES ANY OBJECTION TO COURSE OF ACTION OUTLINED ABOVE. ROGERS:

APR II II 36 AN 70

DEPARTMENT OF STATE POL18-1 MEX FOR RM USE ONLY EUR A-17 CONFIDENTIAL TOPHENDLINE INDICATOR MEASONN AFFAIRS то : DEPARTMENT OF STATE - RECEIVED E INFO : AMEMBASSY MEXICO ANALYSIS BRANGATE: July 30,1970 AGR COM : AMCONSUL VERACRUZ DEPARTMENT OF STATE INT LAB BUREAU OF SUBJECT: BALLOT COUNTING - VERACRUZ STYLE INTER-AMERICAN AFFAIRS XMB AUG7 - 1970 5 1. The Consulate has obtained from a member of the Commission Federal Electoral for Veracruz' 11th District (Port of Veracruz) the actual NSA 2 10 results of the voting for that district in the July 5th election. As the NSC enclesures denote, the published "official" results and the actual vote totals do not in any way correspond to how the voters actually cast their ARA/MEX ballots. The Consulate's source stated that the published results were Amemb Mexico assigned by the PRI National Committee to the State PRI Committee which, in turn, assigned the final vote totals for each of the 14 electoral P/R districts in the State of Veracruz. 2. The discrepancies in the vote totals can be illustrated by the results obtained from the 70 precincts in the Port of Veracruz. The vote totals for Veracruz were as follows: 80 PRESIDENT \mathbf{z} Actual Published Difference 88,593 (94%) 40,090 (66 %) + 48,503 PRI 2,846 (3 %) 8,412 (14 %) PAN 5,566 \$ 1,643 PPS 1,148 495 1,221 590 731 PARM AUG 10,559 (17 %) ANNULLED 94,303 60,146 TOTAL 34,157 3. The actual results in the Presidential balloting reveal that a majority of the 108,931 registered voters in Veracruz* 11th District either abstained from voting or spoiled their ballots. The total not voting or having their votes cancelled was 72 per cent of the eligible electorate. This percentage reduced the PRI's vote total to a mere 36 per cent of the electorate in the City of Veracruz. CONFIDENTIAL FOR DEPT. USE ONLY FORM DS- 323 In In ☐ Out DCNorton:dcn (7/29/70)**JWHenry** Clearances: GROUP 1 Excluded from automatic downgrading and declassification



Veracruz A-17

4. Similar results were obtained in the races for Senator and Federal Deputy. The latter post was won by the PRI's Roberto AVILA Gonzalez, who is known to baseball fans as the former Cleveland Indians All-Star second basemen during the 1950's.

- 5. The weather was not a factor in causing the voters to stay away from the polls. Perhaps more significant was the refusal of some prospective voters to participate in an election which was already rigged in favor of the PRI's candidates. This appears to be the case for the failure of many in the newly, eligible 18-20 years old group to take interest in the election campaign and exercise their privilege to vote. According to a local newspaper, 65 per cent of the 18-20 years old group failed to register.
- 6. The high percentage of annulled votes may have been a result, as several residents commented, of their having written "farce" on the bottom of their ballots. This action was a protest against the PRI and its complete control of the Mexican system of government. Since the total of the annulled votes cast was higher than the vote for the PAN in the City of Veracruz, it appears that the Veracruz/Cid hot accept the PAN as an alternate governing party.
- 7. Review of the vote totals by precincts shows that in several precincts the vote total exceeded the number of registered voters. While officials claim this is the result of a number of people shifting their residences since registration, this appears highly doubtful. It is more likely a case of "ballot-stuffing" by over-eager PRI precinct chairmen or election observers.
- 8. The announced vote totals for the State of Veracruz are also highly suspect. One wonders what the true results were in certain districts as Veracruz' Sixth (Jalapa), Ninth (Orizaba), and Tenth (Cordoba) where the PRI openly conceded the PAN 13.5, 21, and 15.3 per cent respectively of the published results. Statewide, the PRI claimed 1,048,451 votes for Luis ECHEVERRIA Alvarez, and granted the PAN's Efrain GONZALEZ Morfin only 83,747 votes. The Veracruz total of 1, 151, 840 votes cast was surpassed only by the total vote of Federal District.

9. COMMENT:

There is no doubt that the PRI wond the election in Veracruz llth District. However, the PRI's winning margin was less than that claimed in the public media. One questions how long the PRI will be able to maintain this hypocrisy and continue to deceive the public since many of those abstaining and offering criticism of the present system are in the young, educated class. The failure of the PAN to attract these people was emphasized by the high abstention rate and the high percentage of spoiled ballots. These same abstainers are willing to criticise the present system but none are willing to suggest an alternative system for conducting government or holding elections.

HENRY

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Enclosures

Actual Election Results Veracruz 11th District for President
 "Official" Election Results for President-Veracruz 11th District

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REF: MEXICO 4351 Pol 18-1 Max

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1. ALTHOUGH PRINTING ONLY PARTIAL ELECTION DATA. MEXICO CITY PRESS AUGUST 9 REPORTED OFFICIAL RETURNS (SUPPOSEDLY RELEASED AUGUST 8) GAVE PRI CANDIDATES: VICTORY IN ALL RACES AND IN ALL ELECTORAL DISTRICTS. CLOSEST CONTEST SAID TO BE IN MEXICALI'S FIRST DISTRICT WHERE PRI GUBERNATORIAL CANDIDATE MILTON CASTELLANOS CREDITED WITH 62 VOTE MARGIN (OUT OF 17,000 VOTES) OVER PAN'S SALVADOR ROSAS MAGALLON.

3. AT PRESS CONFERENCE IN TIJUANA AUGUST 7. ROSAS MAGALLON CALLED: FOR NULLIFICATION OF THE ELECTIONS. CLAIMING CONSPIRACY BY ELECTION OFFICIALS TO PREVENT A PAN VICTORY.

BEGIN LOU

3. COMMENT: ROSAS MAGALLON'S: CALL! FOR NULLIFICATION. OF ELECTIONS IS IRONIC REMINDER OF 1968 WHEN GOM USED THAT TACTIC TO PREVENT APPARENT PUR VICTORIES. IN GENERAL PAN REACTION CONTINUES VERY RESTRAINED. EXEMPT. KUBISCH

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Department of State

TELEGRAM

CONFIDENTIAL 895

PAGE 01 MEXICO 04612 140117Z

83 ACTION: ARA-14

INFO: OCT-01 CIAE-00 INR-06 NSAE-00 RSC-01 P-03 PRS-01

USIA-12 RSR-01 /039 W

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R: 140040Z AUG 71 FM: AMEMBASSY MEXICO TO: SECSTATE WASHDC 8515

CONFIDENTIAL MEXICO 4612

FOLLOWING SENT ACTION MEXICO FROM MEXICALI AUG 13 REPEATED DEPARMENT FOR ACTION QUOTE MEXICALI 24

SUBJECT: BAJA CALIFORNIA ELECTIONS:

CONSUL FELDMAN INFORMED BY HIGHLY RELIABLE MEXICAN ELECTION OFFICIAL: THAT PRI LOST STATE DEPUTY POSITINS DISTRICTS 1, 2 AND 3 BY VERY NARROW MARGIN RANGING FROM TWELVE TO FIFTY VOTES. DECISION MADE BY AUTHORITIES NOT TO CONCEDE THE ELECTIONS IN THOSE DISTRICTS TO PAN BECAUSE OF SLIGHT MARGINS. STEBBINS UNGTE KUBISCH

Mexico 4612 81



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Department of State XR 03 L23 ME X XR SOE 11-2 MEX

AID(US) 8-

TELEGRAM

CONFIDENTIAL 676

PAGE 01 MEXICO 00040 01 OF 02 061703Z

51 47 ACTION: ARA-11

INFO: OCT-01 SS-20: NSC-10 NSCE-00 INR-07 CIAE-00 NSAE-00

AID-12: L-02 RSR-01 RSC-01 /065 W

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P: 061630Z JAN: 71 FM: AMEMBASSY MEXICO TO: SECSTATE: WASHDC PRIORITY 5953

CHOINEFEL DE NET LA LESECTION : OFF2 MEXICO 040

LIMDIS

SUBJECT: SPECIAL OBSERVATION AND TRAINING PROGRAM IN POLICE ACTIVITIES

REF & KUBISCH/SMITH (ARA/MEX) TELECON

1. AS INDICATED: REF: TELECON, NEW MEXICAN FORMIN RABASA TELEPHONED AMBASSADOR TO REQUEST USG ASSISTANCE IN ARRANGING FOR A SPECIAL OBSERVATION AND TRAINING PROGRAM FOR SELECTED MEXICANS IN POLICE WORK AND CROWD CONTROL. FOLLOWING THIS REQUEST AND SOME FURTHER CONTACT BETWEEN DCM AND EMBASSY LEGAL ATTACHE WITH GOM OFFICIALS, EMBASSY WAS VISITED YESTERDAY (JANUARY 4) BY COLONEL MANUEL DIAZ ESCOBAR FIGUEROA AND CAPTAIN ROGELIO FLORES BERRONES TO DISCUSS THIS PROGRAM.

2. DIAZ ESCOBAR'S OFFICIAL POSITION IS SUBDIRECTOR OF "GENERAL SERVICES," DEPARTMENT OF THE
FEDERAL DISTRICT, AND THIS MEETING WAS ARRANGED BY
ONE OF TWO NEW FONSEC UNDER SECRETARIES, JOSE
GALLASTEGUI, WHO IS WELL KNOWN TO EMBASSY.
DIAZ ESCOBAR SAID THAT NEW MAYOR OF FEDERAL DISTRICT
HAD ENTRUSTED HIM PERSONALLY TO WORK OUT THIS
SEPCIAL PROGRAM OF TRAINING AND OBSERVATION IN THE
UNITED STATES. ONLY A FELLOW COLONEL, WHO IS ALSO
HEAD OF THE MEXICO CITY POLICE DEPARTMENT, KNOWS
OF THIS PROJECT WITHIN THE POLICE HIERARCHY HERE IN
MEXICO CITY. DIAZ ESCOBAR SAID THAT MAYOR PLANS A

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Department of State TELEGRAM

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PAGE Ø2 MEXICO ØØØ4Ø Ø1 OF Ø2 061703Z

GENERAL REORGANIZATION AND RESTRUCTURING OF MEXICO CITY POLICE DEPARTMENT, WHICH FOR THE PRESENT HE IS KEEPING FROM POLICE DEPARTMENT REGULARS. THE SPECIAL GROUP TO BE TRAINED IN THE U.S. IS TO HAVE AN IMPORTANT ROLE IN THE NEW ORGANIZATION.

3. DIAZ ESCOBAR SAID GROUP TO GO TO THE U.S. WOULD CONSIST OF 15-17 YOUNG MEN. GROUP WOULD LIKE TO LEAVE MEXICO CITY OVER THE WEEKEND OF JANUARY 30-31 AND BEGIN THEIR TRAINING PROGRAM IN WASHINGTON D. C. MONDAY, FEBRUARY !. THEY WILL HAVE ABOUT 12 WEEKS AVAILABLE FOR PROGRAM AND INDICATED AN INTEREST IN UP TO SIX WEEKS IN WASHINGTON AND ABOUT TWO WEEKS EACH VISITING METROPOLITAN POLICE DEPARTMENTS IN NEW YORK CITY. CHICAGO, AND LOS ANGELES. GOM WILL: PAY TRAVEL, HOTEL AND SUBSISTENCE EXPENSES.

4. DIAZ ESCOBAR SIAD THAT GROUP WOULD BE INTERESTED IN LEARNING AS MUCH AS POSSIBLE ABOUT ALL PHASES OF METROPOLITAN POLICE: ACTIVITY -- ALONG LINES ENUMERATED IN SMITH/KUBISCH TELECON == ALTHOUGH HE SHOWED SPECIAL INTEREST IN CROWD CONTROL DEALING WITH STUDENT DEMONSTRATIONS, AND RIOTS, THEY WOULD ALSO BE INTERESTED IN TRAINING IN PHYSICAL DEFENSIVE TACTICS AND HAND TO HAND COMBAT.

5. ACCORDING TO EMBASSY INFORMATION, DIAZ ESCOBAR IS A COLONEL IN MEXICAN ARMY AND AMONG OTHER THINGS, IS ALSO CURRENTLY IN CHARGE OF A GROUP OF INDIVIDUALS KNOWN AS THE HALCONES. THIS GROUP WAS RESPONSIBLE FOR PUTTING DOWN THE OSTENSIBLE STUDENT RALLY TO CELEBRATE: THE: ELECTION VICTORY OF CHILEAN PRESIDENT ALLENDE -- A RALLY HELD ON NOVEMBER 4, 1970, WHICH FROM THE BEGINNING WAS PLANNED AS AN ANTI-MEXICAN GOVERNMENT RALLY ATTACKING LABOR-UNION SUBORDINATION TO THE GOVERNMENT. HALCONES USED BAMBOO STICKS IN THIS ENDEAVOR, WERE IDENTIFIED BY THE STUDENTS, AND DESCRIBED AS "ARMY TRAINED TOUGHTS" EMBASSY UNDERSTANDS THAT THIS ORGANIZATION NUMBERS APPROXIMATELY 2000 INDIVIDUALS WHO ASSIST GOM IN THE ABOVE MANNER. IT MAY BE SOMETHING OF A



TELEGRAM

CONFIDENTIAL:

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SUCCESSOR ORGANIZATION TO INFAMOUS PORRAS WHO HAVE BEEN USED AT UNAM AND PREPARATORY SCHOOLS TO FERRET OUT LEFIST STUDENT LEADERS AND DEAL WITH THEM "OUTSIDE THE LAW." PORRAS ARE NOW HIGHLY UNPOPULAR AS THE RESULT OF SOME REPORTED KILLINGS, AND HAVE BEEN LARGELY ABANDONED BY THE AUTHORITIES AS INSTRUMENT WITH OFFICIAL SPONSORSHIP.

6. IN DESCRIBING GROUP TO GO TO U.S., DIAZ ESCOBAR INDICATED THAT "FOUR OR FIVE" WOULD BE YOUNG ARMY OFFICERS IN THEIR MID. -20 S, THREE WOULD BE 18-19 YEAR OLD UNIVERSITY STUDENTS (EMBASSY COMMENT: POSSIBLY GOM "SOURCES" IN MEXICAN STUDENT ORGANIZATIONS), AND 8-10 WOULD BE IN THEIR EARLY 20 S BEING TRAINED FOR "IMPORTANT POSITIONS" (EMBASSY COMMENT: POSSIBLY FOR LATER ASSIGNMENT TO POLICE DEPARTMENT OR POSSIBLY AS SUB-CHIEFS OF HALCONES). GROUP IS ENTIRELY OUTSIDE REGULAR FEDERAL DISTRICT POLICE DEPARTMENT AND THEIR AGES WOULD INDICATE THAT THESE MEN MIGHT BE USED TO LEAD AND TRAIN THE HALCONES.



TELEGRAM

CONFIDENTIAL 671

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51 47 ACTION: ARA-11

INFO OCT-01 SS-20 NSC-10 NSCE-00 INR-07 CIAE-00 NSAE-00

AID-12 L-04 RSR-01

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P: 061630Z JAN 71 FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 5954

CLO NEF I D E N T I A L SECTION 2 OF 2 MEXICO 040 LIMDIS 7. ACCORDINGLY, DCM VISITED UNDER SECRETARY GALLASTEGUI EARLY THIS AFTERNOON AND HAD FURTHER PRIVATE, CONFIDENTIAL DISCUSSION WITH HIM ABOUT THIS PROPOSED TRAINING PROGRAM GALLASTEGUI SAID IN CONFIDENCE THAT THIS PROJECT AND REQUEST FOR USG: ASSISTANCE HAD FULL BLESSING OF PRESIDENT ECHEVERRIA. GALLASTEGUI SAID THAT ECHEVERRIA AND MEXICO CITY MAYOR WERE DISTRESSED AT CORRUPTION IN MEXICO CITY POLICE DEPARTMENT AND WERE DETERMINED TO DO SOMETHING ABOUT IT. IT WAS FOR THIS REASON THAT POLICE DEPARTMENT REGULARS WERE NOT BEING BROUGHT INTO THIS PROGRAM OR EVEN BEING INFORMED ABOUT IT. NEW POLICE DEPARTMENT CHIEF WAS TRUSTED ARMY COLONEL WHO WOULD BE DRAWING ON GROUP TRAINED IN THE UNITED STATES TO ASSIST IN REORGANIZING, MODERNIZING, AND "CLEANING OUT" POLICE DEPARTMENT. GALLASTAGUI REITERATED FORMIN'S REQUEST FOR USG COOPERATION IN THIS PROGRAM.

8. EMBASSY CONSIDERED REQUEST CAREFULLY
AND FORESES SOME RISK TO USG IN ACCEDING TO IT.
PRINCIPAL PROBLEM WOULD ARISE IF GROUP WERE
TRAINED IN U.S. AND RETURNED TO MEXICO TO PLAY
LEADING ROLE IN HALCONES, DEALING HARSHLY AND
PERHAPS EVEN OUTSIDE THE LAW WITH STUDENT LEADERS
AND DEMONSTRATIONS. EMBASSY IS OBVIOUSLY UNABLE
AT THIS POINT TO PREDICT WITH CERTAINTY JUST HOW
INDIVIDUALS IN GROUP WILL BE USED AFTER RETURN.
THERE EXISTS POSSIBILITY THAT THEY MIGHT BECOME

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CONFIDENTIAL

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ACTIVE IN HALCONES AND, LIKE PORRAS BEFORE THEM, GET BEYOND FULL CONTROL OF GOM. CONSIDERABLE CRITICISM WITHIN MEXICO COULD BE GENERATED AMONG STUDENTS AND VARIOUS OPPONENTS OF GOM -- CRITICISM THAT COULD SPILL OVER TO U.S. IF IT BECAME KNOWN, AS IT PROBABLY WOULD, THAT GROUP WAS U.S. TRAINED.

9. NONETHELESS, SINCE THIS IS FIRST REQUEST FOR ASSISTANCE FROM NEW ECHEVERRIA ADMINISTRATION. A REQUEST GIVEN HIGH IMPORTANCE BY FORMIN RABASA AND REITERATED BY UNDER SECRETARY GALLASTEGUI. EMBASSY RECOMMENDS THAT IT BE GIVEN PRIORITY CONSIDERATION IN WASHINGTON. ON BALANCE, WE BELIEVE THAT USG SHOULD GIVE SOME KIND OF FAVORABLE RESPONSE TO REQUEST. IT MAY BE POSSIBLE TO ARRANGE GROUP'S VISIT TO U.S. IN SUCH A WAY AS TO AVOID POTENTIAL HARM OF OFFICIAL "TRAINING" AND KEEP USG: ITSELE LARGELY DISASSOCATED FROM PROGRAM» FOR EXAMPLE PERHAPS MERE "OBSERVATION" TOURS TO SEVERAL U.S. METROPOLITAN POLICE: DEPARTMENTS: COULD BE WORKED OUT & THIS WOULD NOT COMPLETELY FORESTALL POTENTIAL PROBLEM BUT WE WOULD BE IN STRONGER POSITION TO DEAL WITH IT IF IT ARDSE. EMBASSY WOULD WELCOME WASHINGTON VIEWS: ON HOW BEST TO COPE WITH REQUEST.

10. MOST APPROPRIATE: NEXT STEP SEEMS TO US BE A FURTHER MEETING WITH DIAZ ESCOBAR TO DISCUSS CERTAIN DETAILS OF PROPOSED VISIT TO U.S. EMBASSY WOULD APPRECIATE ASSISTANCE FROM WASHINGTON AT SUCH A MEETING AND SUGGESTS THAT DEPARTMENT ENDEAVOR TO SEND A SUITABLE REPRESENTATIVE TO MEXICO CITY WITHIN NEXT TEN DAYS TO HELP US IN SUCH DISCUSSION. WASHINGTON REPRESENTATIVE NEED STAY IN MEXICO CITY ONLY ONE OR TWO DAYS.

JANUARY 13. 14 OR 15 WOULD BE BEST TIME FOR VISIT FROM OUR POINT OF VIEW.

11. THIS MESSAGE COORDINATED: WITH EMBASSY LEGALS ATTACHE. ACTING: AID AFFAIRS: OFFICER AND CAS. MCBRIDE





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ACTIVE IN HALCONES AND LIKE PORRAS BEFORE THEM, GET BEYOND FULL CONTROL OF GOM CONSIDERABLE CRITICISM WITHIN MEXICO COULD BE GENERATED AMONG STUDENTS AND VARIOUS OPPONENTS OF GOM -- CRITICISM THAT COULD SPILL OVER TOOUS IF IT BECAME KNOWN, AS IT PROBABLY WOULD, THAT GROUP WAS USE TRAINED.

9. NONETHELESS, SINCE THIS IS FIRST REQUEST FOR ASSISTANCE FROM: NEW ECHEVERRIA ADMINISTRATION. A REQUEST GIVEN HIGH IMPORTANCE BY FORMIN RABASA AND RESTERATED BY UNDER SECRETARY GALLASTEGUI> EMBASSY RECOMMENDS: THAT IT BE GIVEN PRIORITY CONSIDERATION IN WASHINGTON. ON BALANCE, WE BELIEVE THAT USG SHOULD GIVE SOME KIND OF FAVORABLE RESPONSE TO REQUEST. IT MAY BE POSSIBLE TO ARRANGE GROUP'S VISIT TO U.S. IN SUCH A WAY AS TO AVOID POTENTIAL HARM OF OFFICIAL "TRAINING" AND KEEP USG ITSELE LARGELY DISASSOCATED FROM PROGRAM. FOR EXAMPLE, PERHAPS MERE "OBSERVATION" TOURS: TO SEVERAL U.S. METROPOLITAN POLICE! DEPARTMENTS: COULD! BE: WORKED: OUT . THIS WOULD NOT COMPLETELY FORESTALL POTENTIAL PROBLEM BUT WE WOULD BE IN STRONGER POSITION TO DEAL WITH IT IF IT AROSE, EMBASSY WOULD WELCOME WASHINGTON VIEWS ON HOW BEST TO COPE WITH REQUEST.

10. MOST APPROPRIATE NEXT STEP SEEMS TO US BE A FURTHER MEETING WITH DIAZ ESCOBAR TO DISCUSS CERTAIN DETAILS OF PROPOSED VISIT TO U.S. EMBASSY WOULD APPRECIATE ASSISTANCE FROM WASHINGTON AT SUCH A MEETING AND SUGGESTS THAT DEPARTMENT ENDEAVOR TO SEND A SUITABLE REPRESENTATIVE TO MEXICO CITY WITHIN NEXT TEN DAYS TO HELP US IN SUCH DISCUSSION. WASHINGTON REPRESENTATIVE NEED STAY IN MEXICO CITY ONLY ONE OR TWO DAYS. JANUARY 13. 14 OR 15 WOULD BE BEST TIME FOR VISIT FROM OUR POINT OF VIEW.

11. THIS MESSAGE COORDINATED WITH EMBASSY LEGAL ATTACHE, ACTING AID AFFAIRS OFFICER AND CAS.
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TELEGRAM



MDICATE:

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ACTION: Amembassy MEXICO

STATE

LIMDIS

BUBIECT: Special Observation and Training Program in

Police Activities

REF: Mexico's 00040

- 1. Department shares Embassy's reservations re
 proposed training program and politically unpopular
 uses to which trainees may be put after return. We
 particularly puzzled by professed interest in
 reorganizing and "cleaning up" Mexico City police, in
 that the trainees' role in such an operation remains
 unclear.
- 2. Nonetheless, we agree that we should be as forthcoming as possible in meeting this first substantive request for assistance by Echeverria Government. There would seem to be two alternatives,

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ARA/MEX:FJAlbanti:lje

DRAFTING DATE TEL, EXT.

APPROVED BY

1/8/71

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ARA - Mr. Hurwitch

OPS - Lauren Goin

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Classification

FORM DS-322

DECLASSIFIED

Authority NNO 969012

By SE NARA Date 9-6-02





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Page 2

depending upon Mexican intentions: (A) If GOM is serious about doing a thoroughgoing job of reorganization and reform, then the trainee candidates should be prepared to spend considerable time in training and should consist of experienced police officers; (B) if, however, GOM desires training of young, non-police group for other reasons and assuming we have made determination to assist on political grounds, then a program along lines suggested by Embassy (i.e., with no USG training content, and consisting entirely of observation tours to various metropolitan police departments) would probably be most desirable. Potential anti-US fallout resulting from future activities of trainees might be diluted by arranging for them to visit other foreign police departments as well, e.g. the Royal Canadian

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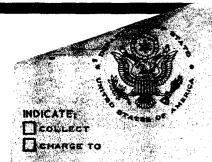
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Department of State

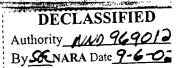
TELEGRAM

XCTION: Page 3 Mounted Police. 3. Effort should be made to apprise Mexicans that advantages will accrue only in proportion to prior experience of trainees and time and effort put into training. Short-term observation tours by inexperienced, non-police personnel will not produce very gratifying results in terms of substantive training. 4. Drawing on foregoing observations, Embassy should attempt to ascertain Mexican intentions more specifically. GP-3 **END** IRWIN DRAFTED BY: CLEARANCES:

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FORM DS-322

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Department of State TELEGRAM

CONFIDENTIAL 813

PAGE Ø1 MEXICO 00227 150136Z

84-81 ACTIONLARA-11

INFO OCT-01 SS-20 INR-07 L-02 AID-12 NSC-10 NSCE-00 CIAE-0:

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P-140015Z JAN-71 FM: AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 6049

CHOENEFOI DEENET I A LEMEXICO 227

SUBJECT: SPECIAL: OBSERVATION AND TRAINING: PROGRAM IN POLICE ACTIVITIES

REF: STATE 003528

LIMDIS

1. DCM AND EMBASSY LEGAL: ATTACHE MET AGAIN THIS MORNING WITH COLONEL MANUEL DIAZ ESCOBAR FIGUEROA AND CAPTAIN ROGELIO FLORES BERRONES AND EXPLAINED WASHINGTON VIEW AS SET FORTH IN APPROPRIATE PARTS OF REFTEL. DURING DISCUSSION ESCOBAR MADE FOLLOWING POINTS AND COMMENTS:

2.60M HAS REACHED DECISION AT HIGHEST LEVEL TO REFORM AND RESTRUCTURE MEXICO CITY POLICE DEPARTMENT AND ITS OPERATIONS. (COMMENT: THIS CONFIRMS INFORMATION EMBASSY HAS RECEIVED FROM OTHER SOURCES. SEE PARA 6 BELOW.) TO THIS END GOM WANTS TO ORGANIZE AND TRAIN A CORE STAFF FOR TWO PRINCIPAL PURPOSES. A PLANNING GROUP TO PLAN THE REORGANIZATION AND AN OPERATIONS GROUP TO HELP PUT IT INTO EFFECT. THIS CORE STAFF IS BEING CAREFLULLY SELECTED FROM ALREADY RECRUITED. TRUSTED AND PROMISING YOUNG MEXICANS INTERESTED IN THIS KIND OF WORK. TO SECURE BENEFIT OF EXPERIENCE IN OTHER COUNTRIES IT HAS BEEN PROPOSED THAT TEAMS BE SENT TO THE UNITED STATES. JAPAN. ENGLAND. GERMANY AND POSSIBLY ONE OR TWO OTHER COUNTRIES. THESE TEAMS WILL BE ABROAD FOR ABOUT THREE MONTHS EACH AND THEY ARE TO LEARN AS MUCH AS POSSIBLE ABOUT HOW POLICE RESPONSIBILITIES ARE CARRIED OUT IN RESPECTIVE COUNTRIES.

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3. FOR EXAMPLE, TEAMS ARE: TO STUDY PERSONNEL POLICIES IN LARGE FOREIGN: CITIES INCLUDING HOW POLICE: PERSONNEL ARE SELECTED AND TRAINED. THEY ARE TO LEARN HOW POLICE: ACTIVITIES ARE ORGANIZED, INTO WHAT DEPARTMENTS AND WHAT SECTIONS, AND WHY. THEY ARE TO LEARN AS MUCH AS THEY CAN ABOUT ALL TYPES OF CRIMINAL INVESTIGA. TIONS AND HOW THEY ARE CONDUCTED, WHAT KIND OF COMMUNICATIONS SYSTEMS: ARE: USED, AND WHAT ARE LATEST TECHNIQUES. THEY ARE TO CONSIDER: VARIOUS TYPES OF ARMS, DEFENSIVE TACTICS, EQUIPMENT AND UNIFORMS USED. THEY ARE TO STUDY AND ASSESS VARIOUS SYSTEMS OF FILES AND RECORDS. THEY ARE TO LEARN LATEST TECHNIQUES OF RIOT AND CROWD CONTROL.

4. WHEN: TEAMS RETURN TO MEXICO CITY THEY WILL BE REFORMED AGAIN INTO LARGE CORE STAFF AND USED AS TALENT POOL FOR REORGANI# ZATION OF MEXICO CITY POLICE DEPARTMENT AS INDICATED ABOVE.

5. AS: SET FORTH MEXICO CITY 40. TEAMS SELECTED TO GO TO U.S. CONSISTS OF APPROXIMATELY 15 MEN. ALTHOUGH ONE OR TWO ARE ONLY 19 YEARS OLD, AVERAGE AGE OF GROUP! IS 24-25. TEAM WILL INCLUDE FIV YOUNG ARMY OFFICERS. (COMMENT: SELECTED ARMY MEN HAVE APPARENTLY BEEN ENTRUSTED TO PLAN: AND: OVERSEE REORGANIZATION OF POLICE FORCE IN MEXICO CITY.) OF 15 GOING TO U.S. ABOUT HALF WILL RETURN TO GO INTO PLANNING GROUP AND REMAINDER INTO OPERATIONS GROUP. ACCORDING TO ESCOBAR ALL REPEAT ALL ARE MEMBERS OF MEXICO CITY POLICE ESTABLISHMENT, ALBEIT SOME ON LOAN FROM ARMY, AND ALL AS MEMBERS OF NON-UNIFORMED ELEMENTS. ESCOBAR SAID MEXICO CITY MAYOR WOULD BE GLAD TO FURNISH USG APPROPRIATE DOCUMENTATION ESTABLISHING TEAM PARTICIPANTS AS BONAFIDE MEMBERS OF MEXICO CITY POLICE ESTABLISHMENT IF DESIRED. ESCOBAR SAID THAT ALL TEAM MEMBERS TO GO TO U.S. HAVE HAD PRIOR EXPERIENCE IN PULICE WORK WERE WELL EDUCATED AND WERE READY FOR KIND OF TRAINING AND OBSERVATION THAT GOM WAS PROPOSING.

6. FOR PRESENT AT LEAST ESCOBAR SAID GOM WANTS TO CONTINUE TO KEEP FAR-REACHING NATURE OF ITS DECISION AND TRUE PURPOSE OF TEAMS ID BE TRAINED ABROAD AS QUIET AS POSSIBLE. (EVEN SO, SOME INDICA-TIONS OF MAJOR OVERHAUL IN PROSPECT HAVE ALREADY FOUND WAY INTO MEXICO CITY PRESS. SEVERAL DAYS AGO, FOR EXAMPLE, NEW MEXICO C. IT CHIEF OF POLICE, ROGELIO FLORES CURIEL, ANNOUNCED THAT HE HAD MEXICO INTO A SINGLE DEPARTMENT IN THE FEDERAL DISTRICT THE 10,000 PREVENTIVE POLICE AND THE 2,500 TRAFFIC POLICE. ACCORDING TO PRESS, FLORES CURIEL, A COLONEL ON LOAN FROM THE ARMY, WAS



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PAGE 03: MEXICO: 00227 150136Z

APPOINTED TO HIS JOB LAST MONTH WITH INSTRUCTIONS TO GIVE TOP PRIORITY TO INCREASING THE "PROFESSIONALISM AND EFFICIENCY" OF MEXICO CITY POLICE HE ANNOUNCED THAT HE HAD PLANS TO IMPROVE POLICE RECRUITMENT. TRAINING AND SALARIES AND THAT HE WILL HAVE A "UNIFIED PLANNING LOGISTICS AND OPERATIONS STAFF" AIMED AT STRENTHENING LAW ENFORCEMENT. STANDARDS TO ENTER POLICE FORCE WILL BE RAISED. TRAINING PROGRAMS LENGTHENED. AND SALARIES INCREASED SO AS TO MAKE MEXICO CITY POLICEMEN "TRUE PROFESSIONALS" AND TO END PETTY BRIBES KNOWN HERE AS MORDIDAS. POLICEMEN NOW EARN AROUND 50 PESOS. OR US DOLS 4.00 PER DAY.

- 7. ALTHOUGH ESCOBAR WAS ASSURED OF USG DESIRE TO BE AS HELPFUL AS POSSIBLE, WE ARE NOT SURE HE WAS ENTIRELY CONVINCED AND IN ANY CASE HE INDICATED SOME RESTIVENESS AND A STRONG DESIRE TO CONCLUDE ARRANGEMENTS FOR TEAMS VISIT TO U.S. AS QUICKLY AS POSSIBLE. UPSHOT OF THIS WAS DISCUSSION OF HIM OR HIS REPRESENTATIVE GOING DIRECTLY TO WASHINGTON IN NEXT FEW DAYS TO DISCUSS DETAILS OF PROPOSED TEAM VISIT WITH U.S. OFFICIALS. HE INDICATED THAT IT MIGHT BE BETTER FOR HIM TO VISIT WASHINGTON PERSONALLY AND SEE WHAT TRAINING FACILITIES WERE AVAILABLE AND DISCUSS DIRECTLY WITH THOSE WHO MANAGE THESE FACILITIES THE KIND OF TRAINING THAT MIGHT BE PROVIDED TO HIS GROUP. ALSO, HE COULD SETTLE BETTER IN WASH-INGTON WHETHER OR NOT HIS TEAM SHOULD GO ON TO NEW YORK CITY. CHICAGO AND LOS ANGELES FOR OBSERVATION TOURS, WHICH AT PRESENT HE CONTINUES TO THINK WOULD BE HIGHLY DESIREABLE. WE TOLD ESCOBAR THAT WE FELT CONFIDENT THAT APPROPRIATE U.S. OFFICIALS WOULD BE GLAD TO DISCUSS: FOREGONG WITH HIM IN WASHINGTON, AND HE SAID HE WOULD DISCUSS MATTER FURTHER WITH HIS SUPERIORS HERE AND TELEPHONE EMBASSY TOMORROW CONCERNING HIS PLANS. IF POSSIBLE HE WOULD LIKE TO TRAVEL TO WASHINGTON SUNDAY, JANUARY 17, OR A DAY OR TWO LATERS AND TO REMAIN IN WASHINGTON ONLY ABOUT TWO DAYS .
- 8. EMBASSY HAS PASSED INFORMATION ABOUT ESCOBAR'S POSSIBLE VISIT TO WASHINGTON BY TELEPHONE TO ARA/MEX AND WILL REPORT FURTHER DETAILS AS SOON AS KNOWN.
- 9. COMMENT: I STRONGLY RECOMMEND THAT DEPARTMENT MAKE ARRANGEMENTS TO RECEIVE COLONEL DIAZ ESCOBAR AND FACILITATE HIS OTHER APPOINTMENTS IN WASHINGTON AS MUCH AS POSSIBLE. GP=3 MCBRIDE



TELEGRAM

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PAGE Ø1 MEXICO Ø0232 151826Z

44-L ACTION ARA-20

INFO OCT-01 SS-20 INR-08 L-04 AID-28 NSC-10 CIAE-00 NSAE-00

RSR-01 RSC-01 SSO-00 /093 W

003724

P 151821Z JAN 71 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 6053

CONFIDENTIAL MEXICO 232

REF: MEXICO CITY 227

1. WITH REGARD TO POSSIBLE TRAINING FOR MEXICAN POLICE ELEMENTS IN U.S. FOREIGN SECRETARY RABASA REPEATED PRESIDENT ECHEVERRIA'S PERSONAL INTEREST IN THIS PROGRAM. HE ADDED HE HOPED WE COULD RECEIVE COLONEL DIAZ ESCOBAR IN WASHINGTON AND ASSIST LATTER IN ARRANGING A SATISFACTORY PROGRAM FOR THESE YOUNG MEXICANS.

2. I SAID I WOULD REPORT RABASA'S VIEWS AND KEEP IN TOUCH ON THIS SUBJECT. HE REPEATED HIS HOPE WE COULD RECEIVE DIAZ ESCOBAR FOR A COUPLE OF DAYS IN WASHINGTON PROBABLY BEGINNING NEXT MONDAY. GP=3 MCBRIDE

CONFIDENTIAL 48

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Authority AND 969012

By SENARA Date 9-6-02

COLLEGT CHARGE TO TELEGRAM

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ACTION: Amembassy MEXICO

IMMEDIATE

STATE

Police Training Program SUBJECT:

Mexico 227 (md(3/5) 81970

LIMDIS

Department would welcome Escobar visit to discuss details police training program as described reftel. Arrangements being made by OPS for him to visit International Police Academy and FBI Axademy.

Suggest visit be coordinated by ARA/MEX (Clint Smith) who should be advised Escobar travel plans when known so appointments can be scheduled as early as possible.

END

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ARA/MEX:CESmith:lje

DRAFTING DATE TEL. EXT.

APPROVED BY:

1/15/71

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ARA/MEX - Mr. Smith

CLEARANCES;

OPS - Mr. Byron Engl

CONFIDENTIAL

Classification



A10 (45) 8-7; Reproduced at the National Archives 23 MEXDepartment of State TELEGRAM

> CONFIDENTIAL 754 POSS DUPF

PAGE Ø! MEXICO ØØ55Ø 300209Z

19=10 ACTION ARA-11

INFO OCT-Ø1 SS-20 NSC-10 NSCE-00 INR-07 CIAE-00 NSAE = 00

PM-03 DODE - ØØ 1066 W AID-12 RSC - 01 111416

R 300119Z JAN 71 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 6233

CONFIDENTIAL MEXICO 550

LIMDIS

SUBJECT: POLICE TRAINING

REF: STATE Ø12252

1. DIAZ ESCOBAR MET WITH DCM THIS AFTERNNON AND ONCE AGAIN EXPRESSED APPRECIATION FOR CONSIDERATION SHOWN HIM AND HIS GROUP DURING THEIR VISIT TO WASHINGTON LAST WEEK. SAID HE WAS MOST IMPRESSED WITH PROGRAM ARRANGED FOR HIM AND WITH POLICE TRAINING FACILITIES AVAILABLE THROUGH COOPERATION WITH USG

2. DIAZ SAID HE HAS HAD OPPORTUNITY SINCE HIS RETURN TO DISCUSS WITH HIS SUPERIORS THE "PROGRAM PROPOSAL FOR TRAINING IN POLICE ADMINISTRATION, MANAGEMENT, AND OPERATIONS FOR MEXICO, WHICH HAD BEEN PRESENTED TO HIM BEFORE HIS DEPARTURE FROM WASHINGTON JANUARY 24. TEMBASSY HAS ALSO RECIEVED COPY OF THIS PROPOSAL FROM MUNROE/OPS .) DIAZ SAID THAT PROGRAM PROPOSAL HAD BEEN FULLY ENDORSED BY HIM AND HAD NOW BEEN APPROVED BY MAYOR OF MEXICO CITY, FEDERAL DISTRICT. FIRST GROUP OF FIVE MEXICANS WOULD BE IN WASHINGTON READY TO COMMENCE COURSE IPA, IAGO NO. 53 ON MARCH 8, 1971. DIAZ SAID THESE MEXICANS MET QUALIFICATIONS FOR ATTENDANCE IPA CLASSES AND THAT HE WOULD SEND EMBASSY THEIR NAMES SOME TIME NEXT WEEK. HE SAID THAT HIS SON, MANUEL DIAZ ESCOBAR,



TELEGRAM

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PAGE 02 MEXICO 00550 300209Z

WOULD BE ONE OF FIRST GROUP OF FIVE TO GO TO WASHINGTON.

- 3. DIAZ SAID SECOND GROUP OF SIX WOULD BE AVAILABLE FOR COURSE BEGINNING 4/19/71 AND THRID GROUP OF SIX WOULD GO FOR COURSE BEGINNING 5/17/71. HE SAID FINAL DECISION HAS NOT BEEN MADE AS YET ABOUT WHETHER OR HOW MANY WOULLD BE IN FOURTH GROUP FOR COURSE TENTATIVELY SCHEDULED TO BEGIN 8/9/71.
- 4. DIAZ ESCOBAR ASKED DCM TO CONVEY HIS GREETINGS TO ALL THOSE IN DEPARTMENT, AID, AND FBI WHO HAD COOPERATED LAST WEEK TO MAKE HIS VISIT SUCH A SUCCESS.
- 5. EMBASSY WILL SEND NAMES AND OTHER BIO DATA CONCERNING FIRST MEXICAN GROUP AS SOON AS RECEIVED FROM DIAZ ESCOBAR. GP-3 MCBRIDE



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INFO: OCT-01 PM-05 NSC-10 SS-20

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R 110053Z FEB 71 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 6320

LIMITED OFFICIAL USE MEXICO 731

SUBJECT: POLICE: TRAINING:

REF : (A) MEXICO 550 (B) STATE: 012252

1. IN ACCORDANCE REFTELS COLONEL DIAZ ESCOBAR FURNISHED EMBASSY THIS AFTERNOON NAMES OF FIRST FIVE MEXICANS TO GO TO WASHINGTON TO COMMENCE COURSE IPA, IACG NUMBER 53 ON MARCH 8, 1971. NAMES ARE AS FOLLOWS:

TENIENTE JAVIER CASTELLANOS AGUERO TENIENTE JOSE L. PONCE LARA TENIENTE MOISES CUAUHTEMOC GUZMAN TORRES AGENTE MANUEL DIAZ ESCOBAR CELORIO AGENTE DANIEL RUBIO CABRERA

2. PLEASE ADVISE WHAT, IF ANY, ADITIONAL DATA ARE REQUIRED BY WASHINGTON AND EMBASSY WILL ENDEAVOR TO OBTAIN. EXEMPT MCBRIDE

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PAGE Ø1 MEXICO ØØ967 240112Z

82 ACTION ARA 20

INFO OCT-01 AID-28 INR-08 IGA-02 RSC-01

RSR-01 /061 W

P 240040Z FEB 71
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC PRIORITY 6444

LIMITED OFFICIAL USE MEXICO 967

SUBJECT: POLICE TRAINING: IPA, IAGC 53

REF: STATE Ø28699

1. REQUESTED BIOGRAPHIC DATA FOLLOWS:

A. TENIENTE JAVIER CASTELLANOS AGUEROS, BORN DECEMBER 3, 1942, OAXACA, OAXACA; 5 YEARS POLICE SERVICE; HAS PRIMARY (6 YEARS) AND SECONDARY (3 YEARS) EDUCATION, FOLLOWED BY THREE YEARS AT COLEGIO MILITAR, GRADUATING AS SUB-TENIENTE, WITH AUTOMATIC PROMUTION TO TEBIENTE AFTER TWO YEARS OF SERVICE.

- B. TENINTE MOISES CUAUTEMOC GUZMAN TORRES, BORN JANUARY 22, 1945, TAXCO, GUERRO; 4 YEARS POLICE SERVICE; SAME FORMAL EDUCATION AS ABOVE.
- C. TENIENTE JOSE LAMBERTO PONCE LARA, BORN SEPTEMBER 17, 1946, TAMPICO ALTO, VERACRUZ: 4 YEARS POLICE SERVICE: SAME FORMAL EDUCATION AS ABOVE.
- D. AGENTE MANUEL DIAZ ESCOBAR CELORIO, BORN SEPTEMBER 12, 1951, MEXICO, DISTRITO FEDERAL: 3 YEARS POLICE SERVICE: PRIMARY, SECONDARY AND PREPARATORY (3 YEARS) EDUCATION, AND ONE YEAR AT NATIONAL SCHOOL OF ECONOMICS OF NATIONAL AUTONOMOUS UNIVERSITY OF MEXICO.
 - E. AGENTE DANIEL DE JUSUS RIBIO CABRERA, BORN JANUARY 3, 1943, OAXACA, 2 YEARS POLICE SERVICE: PRIMARY, SECONDARY AND PREPARATORY EDUCATION, AND THREE YEARS TEACHER TRAINING AT ESCUELA NORMAL DE MAESTROS.

 RANK OF AGENTE IMMEDIATELY BELOW THAT OF TENJENTE.

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TELEGRAM

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2. ALL FIVE EMPLOYED BY METROPOLITAN POLICE, SERVE IN ANTI-RIOT POLICE FORCE, AND HAVE RECEIVED ONE YEAR IN-SERVICE TRAINING IN ANTI-RIOT POLICE WORK. KNOWLEDGE OF ENGLISH NEGLIGIBLE. ALL EXECEPT DEAZ ESCOBAR MARRIED: FIRST THREE HAVE ONE CHILD EAGH. ALL ARE MEXICAN CITIZENS AND ONLY TWO HAVE TRAVELED ABROAD. CASTELLANOS AGUEROS HAS VISITED U.S. SEVERAL TIMES DURING PAST THREE YEARS AND IN JANUARY 1970 VISITED IPA WASHINGTON ON OFFICIAL TRIP. DIAZ ESCOBAR HAS TRAVELED IN EUROPE AS WELL AS U.S. AND ACCOMPANIED CASTELLANOS AGUEROS IN TRIP TO IPA WASHINGTON.

3. IN CASE OF EMERGENCY NOTIFY THEIR SUPERIOR OFFICER, CORONEL MANUEL DIAZ ESCOBAR FIGUEROA, SUB-DIRECCION A DE SERVICIOS GENERALES, DEPARTAMENTO DEL DISTRITO FEDERAL, PLAZA DE LA CON-STITUCION, MEXICO, D.F. TELEPHONES 510-12-94 AND 513-26-09. EXEMPT. MCBRIDE

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TELEGRAM

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PAGE: 01 MEXICO: 01842 022349Z

92: ACTION ARA-20

INFO OCT-01 AID-28 CTAE-00 INR-08 NSAE-00 RSC-01 DODE-00

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RI Ø22312Z. APR Z1 FMI AMEMBASSY MEXICO: TO: SECSTATE: WASHDC: 6946:

LIMITED OFFICIAL USE MEXICO 1842:

SUBJECT: POLICE TRAINING - IPA

REF# MEXICO CITY 1729

EMBASSY NOW INFORMED BY COLONEL DIAZ ESCOBAR THAT FOUR OF TRAINEES PREVIOUSLY ASSIGNED TO LEAVE APRIL 17 ARE UNABLE TO PARTICIPATE IN PROGRAMMATETHIS TIME. REVISED LIST OF TRAINEES, THEIR BIOGRAPHIC DATA AND SPECIALIZATIONS FOLLOWS:

- 1. TENIENTE DE ARTILLERIA FRANCISCO RICARDO VILLASENOR MOTA, BORN OCTOBER 4, 1944, MEXICO D.F. PRIMARY (SIX YEARS) AND SECONDARY (THREE YEARS) EDUCATION FOLLOWED BY FOUR YEARS AT COLEGIO MILITAR, GRADUATING AS SUBTENIENTE DE ARTILLERIA, ARMY SERVICE 1964 TO 1967 AND IN PRESIDENTIAL GUARDS SINGE THEN. COMMISSIONED TO SPECIAL SERVICES, METROPOLITAN POLICE, OF FEDERAL DISTRICT DEPARTMENT SINCE JULY 1968. MARRIED. SPECIALIZATION: CRIMINAL/SECURITY INVESTIGATION.
- 2. TENIENTE DE CABALLERIA. JUAN GORDILLO BRAVO, BORN JUNE 24, 1945; TILAPA MATAMOROS, PUEBLA. PRIMARY AND SECONDARY EDUCATION FOLLOWED BY FOUR YEARS AT COLEGIO MILITAR GRADUATING AS SUBTENIENTE DE CABALLERIA. ARMY SERVICE 1966-67; IN PRESIDENTIAL GUARDS 1967-68. COMMISSIONED TO SPECIAL SERVICES, METROPOLITAN POLICE, FEDERAL DISTRICT DEPARTMENT SINCE 1968. MARRIED. SPECIALIZATION: CRIMINAL/SECURITY INVESTIGATION.
- 3. TENIENTE DE ARTILLERIA ANTONIO MERCADO DOMINGUEZ, BORN AUGUST 23, 1929, GUADALAJARA, JALISCO. PRIMARY AND SECONDARY



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TELEGRAM

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PAGE 02 MEXICO 01842 022349Z

EDUCATION FOLLOWED BY FOUR YEARS AT MILITARY SCHOOL AND THREE YEARS: AT COLEGIO MILITAR, GRADUATING AS SUBTENIENTE DE ARTILLERIA. SERVED WITH PRESIDENTIAL GUARDS 1964-65 AND EROM 1966 TO DATE COMMISSIONED TO THE PRESIDENTIAL GENERAL STAFF. ARMY SERVICE 1965-1966. SINCE 1968 ASSIGNED TO SPECIAL. SERVICES. METROPOLITAN POLICE, FEDERAL DISTRICT DEPARTMENT. MARRIED. SPECIALIZATION: CRIMINAL/SECURITY INVESTIGATION.

4. AGENTE: BERNABE REYES MUNIZ, BORN: MAY 28, 1942;
PAJACUARAN; MICHOACAN: PRIMARY, SECONDARY AND PREPARATORY
EDUCATION: WITH SPECIAL SERVICES; METROPOLITAN POLICE;
PEDERAL: DISTRICT DEPARTMENT SINCE 1968; MARRIED:
SPECIALIZATION: CRIMINAL/SECURITY INVESTIGATION;

5. AGENTE ADOLFO ROSAS DURAN, BORN DECEMBER 6, 1950, MEXICO, D.F. PRIMARY, SECONDARY, AND ONE YEAR PREPARATORY EDUCATION. WITH SPECIAL SERVICES, METROPOLITAN POLICE, FEDERAL DISTRICT DEPARTMENT SINCE 1968. SINGLE. SPECIALIZATION: BORDER/CUSTOMS CONTROL.

5. AGENTE: RICARDO PEREZ REYEROS, BORN MARCH [0, 1951, MEXICO, D.F. PRIMARY, SECONDARY, AND VOCATIONAL EDUCATION. WITH SPECIAL SERVICES, METROPOLITAN POLICE, FEDERAL DISTRICT DEPARTMENT SINCE 1968. SINGLE. SPECIALIZATION: INSTRUCTOR METHODS. EXEMPT. MCBRIDE

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PAGE 01 MEXICO 03309 01 OF 02 191725Z

64 ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 PM-03 AID-10 IGA-01 NSC-07 NSCE-00

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E.O. 11652: GDS

TAGS: EAID, MASS, PINS, MX

SUBJECT: FAA SECTION 32 - POLITICAL PRISONERS

· TOAID

REF: STATE 068545

1. SUMMARY: EMBASSY BELIEVES THAT GOM DOES NOT RPT NOT FALL WITHIN DEFINITION OF GOVERNMENT WHICH SHOULD BE DENIED ECONOMIC OR MILITARY ASSISTANCE UNDER SECTION 32 OF THE FAA OF 1973, ALTHOUGH SOME MEXICAN PRACTICES BORDER ON THOSE PROSCRIBED BY ACT. SINCE AID HAS NO COUNTRY PROGRAM IN MEXICO, WE ASSUME THIS REPLY REQUIRED ONLY BECAUSE OF MODEST MILITARY TRAINING PROGRAM FOR MEXICO FUNDED UNDER FAA. END SUMMARY.

2. AS DEPT AND AID/W AWARE, THERE IS NO AID COUNTRY PROGRAM FOR MEXICO. ONLY AID PROGRAM HERE IS REGIONAL (RTAC). MEXICO DOES, HOWEVER, RECEIVE TRAINING UNDER MILITARY ASSISTANCE PROGRAM, FUNDED UNDER FAA, INVOLVING APPROXIMATELY 24 STUDENTS AT COST OF APPROX DOLLARS 100,000 ANNUALLY. POST THEREFORE ASSUMES THAT FOR THIS



PAGE 02 MEXICO 03309 01 OF 02 191725Z

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REASON A REPLY TO REFTEL IS REQUIRED.

- 3. IN GENERAL, EMBASSY BELIEVES IT CAN BE SAID THAT GOM DOES NOT RPT NOT INTERN OR IMPRISON ITS CITIZENS FOR POLITICAL PURPOSES PER SE. EXPRESSION OF POLITICAL BELIEF OR OPINION CONTRARY TO OFFICIAL POLICY OR PUBLIC POSITIONS OF MEXICAN GOVERNMENT AND RULING PARTIDO REVOLUCIONARIO INSTITUCIONAL IS USUALLY TOLERATED WITHIN LIMITS THAT -- BY COMPARISON WITH THOSE IN MANY OTHER LDC'S -- ARE RELATIVELY BROAD, OR AT WORST DISCOURAGED THROUGH MILD PRESSURES (E.G., STRIDENTLY OPPOSITIONIST PUBLICATIONS HAVE AT TIMES EXPERIENCED DIFFICULTY IN OBTAINING QUANTITIES OF NEWSPRINT THEY WOULD LIKE, OR HAVE HAD INDIVIDUAL ISSUES CONFISCATED OR THEIR DISTRIBUTION INTERFERED WITH). THERE ARE THREE LEGALLY REGISTERED OPPOSITION PARTIES, ONE OF WHICH IS MORE THAN TOKEN, AND OTHER, UNREGISTERED POLITICAL GROUPINGS ARE ALLOWED TO EXIST AND OPERATE SO LONG AS THEY REMAIN DISCREET IN THEIR ACTIVITIES. GOM POLICY EVEN TOWARD SOMEWHAT MORE MILITANT OPPOSITION ACTIVITY CAN BE SAID TO HAVE MATURED IN LAST FOUR YEARS, BEGINNING WITH DELETION FROM PENAL CODE IN MID-1970 OF CONTROVERSIAL ARTICLES 145 AND 145-BIS AND RELATED PROVISIONS CONCERNING VAGUELY DEFINED "CRIME" OF FOMENTING "SOCIAL DISSOLUTION" (SEE MEXICO 3894, JULY 16, 1970). RELEASE OF SUBSTANTIAL NUMBER OF PRISONERS ARRESTED FOR PARTICIPATION IN 1968 DEMONSTRATION AND OF OTHER SO-CALLED "POLITICAL PRISONERS" UNDER CURRENT ECHEVERRIA ADMINISTRATION (I.E., SINCE DECEMBER 1970) IS FURTHER EVIDENCE OF GOM MATURATION IN THIS REGARD (SEE MEXICO A-52, FEB. 15, 1971; A-652, DEC. 20, 1971; AND A-655, DEC. 27, 1971).
- 4. WHERE GOM REMAINS UNCOMPROMISING (AND INDEED MAY HAVE STIFFENED ITS ATTITUDE IN RECENT MONTHS) IS IN RESPECT TO THOSE PERSONS WHO HAVE TAKEN UP ARMS AGAINST THE STATE. GOM ARGUES (AND, WE THINK, WITH JUSTIFICATION) THAT SUCH PERSONS, WHATEVER THEIR PROFESSED MOTIVATION, HAVE COMMITTED FELONIES (MURDER, KIDNAPPING, ARMED ROBBERY, ETC.) AND ARE THEREFORE SOUGHT, APPREHENDED, AND PUNISHED NOT FOR THEIR BELIEFS BUT FOR CONCRETE ACTS.



PAGE 03 MEXICO 03309 01 OF 02 191725Z

5. IT IS IN DEALING WITH PERPETRATORS OF SUCH ACTS THAT GOM APPEARS FREQUENTLY TO OVERSTEP LEGALLY PRESCRIBED PROCEDURES. THERE ARE RECURRENT REPORTS OF DETENTION OF "SUSPECTS" WHOSE ONLY CONNECTION WITH ANTI-GOVERNMENTAL



ACTIVITY MAY BE BLOOD RELATIONSHIP WITH WANTED GUERRILLAS; OF CIVILIANS DETAINED EXTRA-CONSTITUTIONALLY BY MILITARY AUTHORITIES, TO PRECLUDED POSSIBILITY WHICH WOULD EXIST WITHIN REGULAR JUDICIAL SYSTEM OF THEIR OBTAINING RELEASE THROUGH "AMPARO" PROCEEDINGS; OF PERSONS HELD FOR MORE THAN THREE DAYS WITHOUT ARRAIGNMENT AND/OR FOR MORE THAN ONE YEAR WITHOUT TRIAL, IN VIOLATION OF CONSTITUTIONAL STIPULATIONS; AND OF PRISONERS TORTURED WHILE IN DETENTION. LATELY, THERE HAVE BEEN INDICATIONS ALSO THAT GOM HAS MURDERED SOME PRISONERS AFTER EXTRACTING ALL INFORMATION THEY HAVE TO GIVE, PRESUMABLY WITH INTENTION OF COMMUNICATING GOM'S HARD LINE AND KEEPING DOWN NUMBER WHOSE RELEASE MIGHT BE SOUGHT IN EXCHANGE FOR LIFE OF KIDNAPPING VICTIM (SEE GUADALAJARA A-81, NOV. 27, 1973 AND A-92, DEC. 28, 1973).

6. IN CANDID MOMENTS, GOM OFFICIALS WILL SOMETIMES CONCEDE THAT EXCESSES ARE COMMITTED. THUS A US-CITIZEN CORRESPONDENT JOVA



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PAGE 01 MEXICO 03309 02 OF 02 191733Z

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ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 PM-03 AID-10 IGA-01 NSC-07 NSCE-00

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R 191604Z APR 74 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 1276



SECTION 2 OF 2 MEXICO 3309

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WAS REPORTEDLY TOLD RECENTLY BY A SUBCABINET OFFICIAL THAT GOM CONSIDERS ITSELF "AT WAR" WITH GUERRILLA/TERRORIST GROUPINGS. "A 19-YEAR-OLD GIRL ARMED WITH A SUBMACHINE GUN," HE ADDED, "CAN BE A DEADLY ENEMY." IMPORTANT POINT IN EMBASSY'S OPINION, HOWEVER, IS THAT GOM IN THESE INSTANCES APPEARS TO BE RESPONDING --HOWEVER HEAVY-HANDEDLY -- TO LEGITIMATE AND SERIOUS PROVOCATION BY ARMED OPPONENTS WHO SEEK ITS OVERTHROW AND WHO IN LAST SEVERAL YEARS HAVE COME TO CONSTITUTE A GENUINE THREAT TO PUBLIC ORDER IN SEVERAL PARTS OF COUNTRY.

- 7. PRINCIPAL HANG-UPS FOR GOM IN DEALING WITH MODERN-DAY GUERRILLAS AND TERRORISTS HAVE HAD TO DO WITH PUBLIC POSTURE: A DESIRE TO MINIMIZE SERIOUSNESS OF PROBLEM SO AS NOT TO ALARM PUBLIC OPINION (EVEN WHILE APPLYING HARSH MEASURES TO DEAL WITH PROBLEM); AND AN UNWILLINGNESS TO CONCEDE POLITICAL MOTIVATION (EVEN THOUGH IT UNDOUBTEDLY EXISTS) TO GUERRILLAS AND TERRORISTS. HOWEVER, THIS ASPECT OF GOM'S PROBLEMS IS NOT GERMANE TO QUESTIONS RAISED REFTEL.
- 8. ON BALANCE, THEREFORE, EMBASSY WOULD CONCLUDE THAT, WITHIN MEANING OF SECTION 32 OF THE FAA, MEXICO DOES NOT



PAGE 02 MEXICO 03309 02 OF 02 191733Z

PRACTICE INTERNMENT OR IMPRISONMENT OF CITIZENS FOR POLITICAL PURPOSES EXCEPT WHEN FACED WITH ACTIVE, ARMED OPPOSITION THAT POTENTIALLY THREATENS SECURITY OF STATE, AND THAT THERE IS NO CONSISTENT PATTERN OF VIOLATION OF RIGHT TO BE FREE OF ARBITRARY ARREST.

9. WE WOULD ADD JUDGMENT THAT

JMEXICAN ARMY COMMITMENT TO JOINT US/GOM ANTI-NARCOTICS EFFORT (ESTIMATED BY DAO AT 30 BATTALIONS FULL- OR PART-TIME) FAR OUTWEIGHS MONETARY VALUE OF TRAINING PROVIDED BY THE USG UNDER MAP. JOVA





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83 ACTION AID-45

INFO OCT-#1 /046 W

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P 181902Z MAY 71
FM AMEMBASSY MEXICO
TO SECSTATE WASHDE PRIORITY 7435

LIMITED OFFICIAL USE MEXICO 2684

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FOR OPS/TD

SUBJECT: PUBLIC SAFETY TRAINING: IPA, IAGC 55

REF :

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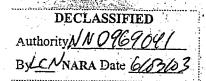
COLONEL DIAZ ESCOBAR WOULD APPRECIATE YOUR INCLUDING IN FIELD TRIP TENTENTE FERNANDO UGALDE URIBE WHO HAS QUALIFICATIONS SIMILAR TO THOSE OF TRAINEES. EXEMPT MCBRIDE

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L	ΑВ	TAR	TR	ХМВ	SUBJECT :Youth and the Echeverria Administration				
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	ر ا	3	16	6	Summary INTER-AMERICAN AFFAIRS				
	ř.	STED D	DISTRIB	NOITU	JUN 2 - 19/1 After six months of the new administration it is				
- "	44			7 <u>5</u>	clear that President Echeverria is making a concerted				
	PM 4	e e e e	•		effort to improve relations between the political establishment and the nation's youth. He has appointed				
: 1		<u>.</u>			many young persons to important offices. The PRI has changed its statutes to give youth a greater role in				
	<u> </u>	POST R	OUTING	. V	official party affairs. Most of the prisoners from				
	٥٠ ا	Action		Initials	Treed, at the same time Echeverria, in his frequent				
PO DC	≥ (%)		5,		dialogues with youth, urges a posture of conscientious rebellion. His own dynamism and frankness have aroused				
PO	L ON	\$1 .v.*			a measure of youthful enthusiasm.				
	NS				Echeverria's stock with youth is higher now than				
AD	<u> </u>	(c)			when he entered office, and probably higher than that enjoyed at any time by President Diaz Ordaz. But				
us	is				further improvement will depend more on Echeverria's				
<u></u>	45.5		3.		socio-economic policies and their implementation, than on gestures and elements of style. Politically active				
	LE				youth are more leftist than are the nation's political and economic leaders or the population in general.				
		Taken:	Echeverria cannot hope to satisfy their economic						
					demands. At most he may be able to convince the less				
_	te:	5:			FORM CONFIDENTIAL For Department Use Only 10 64 DS -323				
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Mexico's A-256 Page 2



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radical that he is moving the country in their direction, while perhaps persuading them that Mexico's best interests lie in a more moderate course.

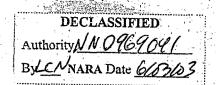
Even so, student unrest will continue. There is no shortage of university and local issues to stimulate protest movements, and the campuses have long been a playground for external political and ideological interests. University reform, if carried out, may eliminate some causes of unrest, but will certainly add new ones.

Echeverria's Youth Orientation: Some Influencing Factors

Relations have long been cool between the Mexican Government and the official party on the one hand and the nation's politically aware and articulate youth on the other. Youth in this context refers primarily to students and university graduates up to about age 35. Most come from urban middle class backgrounds. They share with their peers elsewhere a generalized idealism, a penchant for systematic explanations of social phenomena and an affinity for frank criticism. They have no trouble detecting shortcomings in a social philosophy calling itself institutionalized revolution, or in a political system which, while claiming to be democratic, is marked by a high degree of centralization and authoritarian decision-making.

That Echeverria would be particularly concerned with the youth problem was ensured by the events of 1968 in Mexico City. The three-month-long demonstrations made it plain that youth disaffection could no longer be simply accepted and ignored. The 1968 movement was avowedly anti-Government, and it went further than any previous movement in attacking the authority and prestige of the presidency. Echeverria was, of course, Interior Secretary at the time. In the eyes of Mexico's youth he shares

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responsibility for the repressive action at Tlatelolco on October 2 in which at least 30 persons died.

Echeverria's youth orientation is also doubtless influenced by the age structure of Mexico's rapidly expanding population. More than half the population is under age 20, more than three-fourths under 40. It would require a conscious policy of gerontocracy to avoid giving youth a greater role.

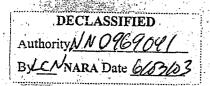
Echeverria is himself the product of what in retrospect appears to have been the last major regenerative effort of the Mexican political system. He entered politics with Miguel Aleman who became President at age 43. The official party had just been renamed and partially restructured. The nation soon embarked on a new development strategy stressing rapid industrialization and a major role for the private sector. It was a period of excitement and political ferment and there was an influx of young men into positions of political importance. Those men are now in power and Echeverria may well judge it is time for a similar renewal.

If so, and despite the recent uncovery of the MAR plot, Echeverria is probably motivated less by concern that large numbers of youth will align themselves with subversive movements, than by a desire to harness the enthusiasm and potential of youth to the national development effort. He may have had this in mind when he told OAS Secretary General Galo Plaza last December that the appeal of the Mexican revolutionary past as an inspiration for the future had worn rather thin, particularly with the youth of the country, and that he would have to give new direction to his Government in order to retain support for the political system.

First Steps

This Embassy has remarked frequently on Echeverria's leadership style (see particularly Mexico's A-115 of March 22, 1971). While perhaps natural to him, it is also to some degree an element of conscious policy.

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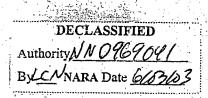


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Echeverria is certainly aware that the image of a hard-driving, straight-speaking, dynamic President is attractive to the nation's youth, themselves impatient for action. On his frequent trips around the country Echeverria makes a point of holding dialogues with student and youth groups. So far as we can tell these encounters are candid and the questions unscreened. Echeverria is at times critical and at times rejects youth proposals. But rapport is established and Echeverria often agrees with his questioners that there is much in Mexico that they should criticize and be unwilling to accept. It is an old technique for moderating opposition, but probably effective with all but the most hard-bitten.

A second important element in Echeverria's youth offensive is the appointment of a substantial number of young persons to important positions. Most such appointments were made during the first 100 days and are mentioned in some detail in A-115. More recently the accidental death of the Governor of Guerrero allowed Echeverria to name a 36-year-old replacement, Lic. Israel Nogueda Otero. Paralleling the youthful trend in executive appointments, the PRI has recently revised its statutes to require the inclusion of persons under 26 on all lists of preliminary candidates for municipal office (see Mexico's A-197 of There is also some indication of a decision May 14, 1971). (in which Echeverria presumably concurred) to "unleash" the PRI Youth. At a national meeting in March PRI youth leaders demanded, among other reforms, a constitutional amendment lowering the minimum age for election to the Chamber of Deputies to 21 and to the Senate to 30. Present law requires 25 and 35 years respectively. More significantly, PRI National Youth Leader Jose de Jesus Medellin Muñoz has voiced support for the nationalization of the banking system, an idea subsequently rejected by Echeverria. is doubtful he will return to it. But a PRI Youth willing to take positions apart from Government policy will find it easier to recruit new adherents.

For the past two and one half years the issue of political prisoners has loomed large in Government-youth relations. It was not new in 1968, having been one of the



pretexts for the student movement of that year. But the emotional trauma of Tlatelolco, and the resulting many-fold multiplication of persons with claim to political prisoner status, raised it up to a new plane. Since taking office Echeverria has released most of the prisoners dating from 1968, even though many had been sentenced to long jail terms, and he has also freed a leader of the student strike at Morelia in 1966. The political prisoner issue is not dead, but it is no longer at center stage.

The Longer Term

In six months Echeverria has won a measure of youth support. His relations are better now than when he took office; they are certainly better than those enjoyed at any time by President Diaz Ordaz. While mildly optimistic, youth is skeptical: 1) About the degree to which Echeverria shares their vision of a future Mexico; and 2) Even if he does, how much he can do to bring it about.

Mexico's youth are more libertarian and more inclined toward socialism than are the nation's political and economic leaders or the population as a whole. They pay much more attention to the failures and sortcomings of post-Revolution Mexico than to its accomplishments. They are suspicious of private enterprise and even more of foreign investment. They tend to view Government as a conspiracy of the rich to protect their positions and privileges. The PRI is primarily an instrument of control, and the higher a man climbs in the party or Government the more likely he is to be considered an opportunist or worse.

On a number of counts Echeverria, all through his campaign and since taking office, has been making statements that coincide closely with youth views. The dominant theme of his administration so far is the need to bring about a more equal distribution of national wealth and social progress. He emphasizes that public office is a sacred trust; he denounces corruption. He has asserted that the Government should play a more vigorous leadership role in

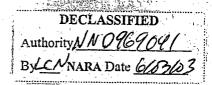


Mexico's A-256 Page 6

the economy. In pursuit of these objectives, programs have been started and initiatives taken (see Mexico's A-115).

On the other hand youthful critics are quick to note that Echeverria's economic policy to date is relatively Although he has publicly and strongly denounced selfish and unpatriotic businessmen, he has left little doubt that he supports a strong and growing private sector and that Mexico will continue to welcome foreign invest-The tax increases last December were relatively minor gestures toward a more equitable distribution of income. In rejecting the youth proposal that the banking system be nationalized, Echeverria displayed some skepticism about the efficiency of state-run entities. In the months and years ahead Echeverria will certainly implement some economic measures of particular appeal to youth: more substantial reform of the tax system is a likely prospect. But there is no indication as of now that he will abandon his basically moderate position.

Similarly there is no indication that Echeverria intends to abandon Mexico's pro-US neutrality in world affairs. He has in fact gone further than previous Mexican Presidents in publicly condemning communism and those Governments (unnamed) which attempt to export their political systems. He has made no significant efforts to improve relations with communist countries; rather the expulsion of five Soviet diplomats following the discovery of the MAR plot was a step in the opposite direction. Youth, except for the radical fringe, are not mindless worshipers of communist models. But many tend to view the United States as the greater threat to Mexico's independent development. In this context there is a certain amount of skepticism among the young about the role actually played by members of the MAR and about the role of the Some go so far as to see the incident as a Government-concocted scheme to arouse nationalist feeling and to intimidate the domestic left.



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Mexico's A-256 Page 7

Even if Echeverria can increase present youth support for his policies and programs, perhaps in part by convincing the less radical of the necessity for moderate and evolutionary solutions to Mexico's problems, there will remain strong and lingering doubts about his ability to implement them. Already there is some inclination to allow that Echeverria may himself be well intentioned, but to couple it with the assertion that no man, not even the President, can do much to change the ongoing system. In this view he is not so much the instrument as the captive of political and economic interests. Since most of Mexico's more obvious problems will yield only gradually to administered solutions, many youth will doubtless find ample confirmation for this belief.

Campus Unrest

Unrest is chronic on Mexican campuses. Hardly a month passes without protest movements or intra-mural conflict at some university or its affiliated preparatory schools. A partial list for the past year includes the National Autonomous University of Mexico (UNAM), Juarez University and the Technological Institute in Durango, and the Universities of Guadalajara, Sinaloa, Puebla and Nuevo Leon. To a considerable extent this recurring unrest can be separated from the question of youth attitudes toward the Echeverria administration. The issues are often local or internal to the institutions. Frequently little more is at stake than the rival power interests of contending student groups.

However, no recent Mexican administration has taken student unrest lightly, and for good reason. The campuses are largely outside the control of the PRI and Government. Students constitute one of the few free-floating elements in the Mexican political system and as such they are a target for manipulation by a variety of leftist groups as well as by persons within the power structure. It is no coincidence that most unrest occurs at public institutions, almost none at private. The differences in social

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and economic background of the student bodies provides only a small part of the explanation. More important is the fact that almost any problem at a public university has the potential for provoking confrontation with state or national authorities. To the radical left this offers the hope that student protest can be shifted to an ideological plane, to an attack on the political system or against socio-economic policies. For the PRI leader there is the hope of being able to embarrass or unhorse rival politicians. If he can gain control of a student body, for which a generous budget is usually necessary, it serves at once to demonstrate his own political skill and provides a continuing instrument of political pressure. We may suppose there is a price, political or otherwise, for keeping the students in line.

Most Mexicans are convinced the 1968 Mexico City disturbances were initially encouraged by one or various aspirants for the impending presidential nomination, perhaps by Presidency Secretary Martinez Manautou in an attempt to embarrass and discredit Interior Secretary Echeverria, perhaps by Carlos Madrazo in an attempt to force Diaz Ordaz to look beyond his closest advisers for a successor who would satisfy the students' demand for a more open political system. However this may be, the radical left eventually gained substantial control over the movement and it became avowedly anti-Government. On a smaller, less dramatic scale, the current crisis at the Autonomous University of Nuevo Leon (see Embtel 2812 of May 24) may have some of the same characteristics.

If Echeverria is to succeed in strengthening his youth support, it is in his interest to prevent campus unrest from reaching the level of confrontation with government authorities. This means state as well as federal officials since few Mexicans, much less students, credit Governors with great independence of action when it comes to student Matters. From Echeverria's point of view there are two dangers: 1) That excessive force will be used, thus exacerbating and polarizing both student

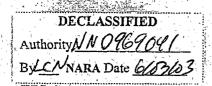
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and public opinion (and, we might add, evoking memories of Tlatelolco); and 2) That Government sponsored solutions, however well-intentioned, will be seen as infringements on university autonomy and thus serve as the basis for renewed and even stronger protest. In an attempt to circumvent these dangers Government policy during the first six months of the Echeverria administration has operated on a number of planes.

Echeverria's public posture is one of strict noninterference in university matters. He has pledged that
his administration will respect university autonomy. He
has generally avoided public discussion of problems at
specific universities. In visits to or in the area of
troubled institutions he has limited himself to urging
contending factions to sit down and negotiate their
differences. He has promised that university reform, if
and when it comes, will derive from within the universities,
not be imposed from without.

Less publicly it is clear that the Government is devoting considerable resources to the control of student groups. This is best documented at UNAM, but it may be true as well at provincial campuses. As usual there is both a carrot and a stick. Reportedly the administration has made it known that it will provide financial support for any student group rejecting Marxist ideas and the communist system and supporting Mexican Revolution and the administration's programs. One objective is to break the power of the Struggle Committees that have dominated UNAM student affairs since 1968. The second is to prevent the creation of any alternate unified student organization. The stick consists of student toughs (the Francisco Villa Group), paid and organized by the Federal District Government, whose role is to intimidate leftist student leaders and to break up anti-Government meetings. A number of students have been killed during the past year, many more injured. (See Embtel 1801 of April 1, 1971.)



It may be that there is still a third level of Echeverria influence, of which even less is known publicly. We may presume that Echeverria, through intermediaries if not directly, is in touch with the heads of Mexico's universities and with state governors regarding university problems. The Communist Party magazine, Oposicion has stated that Nuevo Leon Governor Eduardo Elizondo has had Echeverria's support in his struggle with dissident groups at the Autonomous University of Nuevo Leon, and that the recently implemented new Organic Law (a main bone of contention) is viewed by Mexico City as a possible model to be copied elsewhere. The communists have their own reasons for exaggerating the role of the Federal Government and Echeverria. But it is certain that Elizondo keeps one eye cocked toward Mexico City.

Finally, and despite Echeverria's statements, it is obvious that significant university reform in Mexico, to which this administration is pledged but about which it has yet to say anything very concrete, is bound to entail substantial Government interference in what students and faculty like to call internal university matters. longer run, better facilities, more qualified professors, education geared more closely to the availability of jobs once students graduate, may eliminate many of the more routine causes of student unrest. But it will require great political skill in the short run to prevent university reform from becoming a major disruptive issue in its own right. It is likely to be one of the more considered actions of this administration, and Echeverria may well delay such a move until he is more confident of his youth support. GP-3

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R 261645Z MAY 71 FM AMCONSUL MONTERREY TO SECSTATE WASHDC 0000 INFO AMEMBASSY MEXICO

UNCLAS SECTION 1 OF 2 MONTERREY 060/1

SUBJECT: STUDENT VIOLENCE IN MONTERREY

MEXICO CITY FOR POLITICAL AND PUBLIC AFFAIRS COUNSELOR

1. SINCE LATE LAST YEAR THE AUTONOMOUS UNIVERSITY OF NUEVO LEON HAS BEEN IN AN ALMOST CONSTANT STATE OF TURMOIL. BOTH LEFT AND RIGHT WING STUDENT AND FACULTY GROUPS HAVE BEEN VYING FOR CON-TROL OF THE UNIVERSITY. BY MARCH OF THIS YEAR IT APPEARED CERTAIN THAT THE RIGHTIST INTERESTS WERE SUCCEEDING IN THEIR EFFORTS TO OUST INCUMBENT LEFTIST OFFICIALS AND PROFESSORS FROM THEIR POSTS AND TO OBTAIN A PUBLIC AUDIT OF THE UNIVERSITY'S FISCAL OPERATIONS AND ACADEMIC PRACTICES. THE RECTOR RESIGNED AND THE GOVERNING BODY (UNDER THE THEN EXISTING STATUTES) ELECTED A NEW RECTOR. AT THIS POINT STATE GOVERNOR ANNOUNCED THAT INSTITUTION'S SUBSIDY WOULD HAVE TO BE CUT AND TUITION FEES RAISED. THE RECTOR HELD HEATED DEBATE WITH GOVERNOR ON TELEVISION ABOUT UNIVERSITY POLICY. NEXT DAY STATE CONGRESS PASSED NEW "ORGANIC LAW" FOR UNIVERSITY. THE LAW ALLOWED PUBLIC AND PRIVATE MEMBERS FROM OUTSIDE THE UNIVERSITY COM-MUNITY TO HAVE DOMINANT VOTING ROLE IN DETERMINING POLICY. THESE FACTORS LED TO THE REPLACEMENT OF THE RECTOR AND OTHER OFFICIALS. THE RIGHT WAS IN CONTROL BUT THE GENERAL SITUATION DETERIORATED AS "ORGANIC LAW" ITSELF PROVED TO BE MORE CONTRO-VERSIAL THAN ALL PRIOR ISSUES.

2. IN RECENT WEEKS LEFIST AS WELL AS A WIDE RANGE OF OTHER DIS-

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SIDENT ELEMENTS UTILIZED THE LAW AS A RALLYING POINT. THEY CHARGE THAT IT EFFECTIVELY ENDS THE UNIVERSITY'S AUTONOMY - A NEAR SACRED CONCEPT IN LATIN AMERICA AND DEMAND THAT THE ACT BE REVOKED. UNIVERSITY BUILDINGS WERE OCCUPIED BY STUDENTS AND TEACHERS PROTESTING THE LAW. CLASSES WERE GENERALLY STOPPED. FINALLY, THE RECTOR, NEWLY APPOINTED UNDER THE ORGANIC LAW, WAS DENIED ENTRY TO HIS OFFICES BY STRIKING STUDENTS. THROUGHOUT THIS PERIOD THE LOCAL STATE GOVERNMENT HAS CARRIED ON A RATHER EXTENSIVE PUBLIC RELATIONS CAMPAIGN. ITS GOAL HAS BEEN TO OR-GANIZE SUPPORT FOR THE ORGANIC ACT, AMONG THE GENERAL POPULACE AND ALL POLITICALLY IMPORTANT GROUPS AND SECTORS. ITS EFFORTS HAVE BEEN LARGELY SUCCESSFUL. DURING THIS TIME THE GOVERNMENT ABSTAINED FROM USING FORCE TO DISLODGE DISSIDENT STUDENTS. LOCAL PRESS MAINTAINED A CALM POSTURE IN REPORTING, WHILE STRONGLY SUPPORTING POSITION OF AUTHORITIES THAT UNIVERSITY SHOULD BE REOPENED AND CLASSES RESUMED. ON MAY 17 AND 18 MEETINGS WERE HELD IN SEVERAL OF THE "SEMI" INDEPENDENT FA-CULTIES IN WHICH BOTH STUDENTS AND TEACHERS AGREED TO RETURN TO CLASSES. ON THE 18TH NUMEROUS FIGHTS ERUPTED BETWEEN LEFTIST AND RIGHTIST STUDENTS. THEN DISSIDENT STUDENTS BROADENED THE CONFLICT ARENA BY STAGING STREET DEMONSTRATIONS WHICH BLOCKED TRANSIT ON MAJOR DOWNTOWN ARTERIES. THE GOVERNOR RESPONDED ON THE 19TH BY UNEQUIVOCALLY STATING THAT HE WOULD ORDER PUBLIC FORCE TO BE USED SHOULD THE DISSIDENTS RENEW THEIR RESORT TO VIOLENCE. SMALL SCALE, CONTROLLED CONFRONTATIONS TOOK PLACE ON THURSDAY THE 20TH AND FRIDAY THE 21ST. LATE FRIDAY THE NEW REC-TOR ANNOUNCED THAT ALL STUDENTS, TEACHERS AND WORKERS AT THE UNIVERSITY WERE TO RETURN TO WORK ON MONDAY MORNING, MAY 24, OR BE SUBJECT TO DISMISSAL. AT THAT TIME, IT APPEARED THAT A VAST MAJORITY, FOR A MIXTURE OF IDEOLOGICAL AND PRACTICAL REASONS, FAVORED A RETURN TO CLASS. PUBLIC OPINION STRONGLY SUPPORTED THIS VIEW.

3. OVER THE WEEK END, IN EARLY MORNING SURPRISE SORTIES THE PO-LICE TOOK PHYSICAL CONTROL OF A NUMBER OF PREPARATORY SCHOOLS IN THE SYSTEM AND PARTS OF THE UNIVERSITY ITSELF. THE MORE DISSIDENT ELEMENTS, SEEING THEIR SUPPORT EVAPORATING RAPIDLY IN THE FACE OF THE FIRM STAND TAKEN BY STATE AND UNIVERSITY AUTHORITIES OBVIOUSLY DECIDED THAT A RESORT TO VIOLENCE WAS ALL THAT REMAINED TO THEM IF THEY WERE TO CONTINUE THEIR STRIKE. OVER THE WEEKEND, RUMORED CONFRUNTATIONS WITH POLICE AND MASS PROTESTS IN DOWNTOWN MON-TERREY DID NOT MATERIALIZE. CALM PREVAILED UNTIL MONDAY, MAY 24.



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THIS WAS THE MORNING SIGNALLED BY THE RECTOR FOR ALL TO RETURN TO CLASSES OR BE DISMISSED. WITH THE AID OF THE POLICE ANTI-STRIKE STUDENTS TOOK CONTROL OF THE RECTORY AND ESCORTED THE RECTOR TO HIS OFFICE. LATER, A LARGE GROUP OF DISSIDENT STUDENTS AND TEACHERS UNSUCCESSFULLY TRIED TO STORM THE RECTORY. THIS DEGENERATED INTO STONE THROWING BATTLE WITH DEFENDING STUDENTS. ONE DEFENDING STUDENT SUFFERED A BROKEN LEG FROM A THROWN MISSILE, AND NUMEROUS PARTICIPANTS ON BOTH SIDES WERE SLIGHTLY INJURED. ONE NEWSPAPER REPORTED THAT LOCAL MILITARY HEADQUARTERS (LOCATED NEXT TO UNIVERSITY) OFFERED SEND SOLDIERS TO INTERVENE. PAPER MAINTAINED THAT GOVERNOR REFUSED THEIR ASSISTANCE AS HE FELT STATE AND LOCAL POLICE WERE SUFFICIENT. ON WEDNESDAY. GOVERNOR DENIED THAT ASSISTANCE HAD BEEN EITHER OFFERED BY THE MILITARY OR REFUSED BY HIM. HE REITERATED THAT LOCAL SECURITY FORCES WERE SUFFICIENT. HE SAID HE WOULD ACCEPT ARMY AID IN CLEANING UP CAMPUS AND REPAIRING 100,000 PESO PHYSICAL DAMA. GES. LATER IN THE AFTERNOON, ABOUT 800-900 STUDENTS MASSED IN THE DOWNTOWN PLAZA (COLEGIO CIVIL) IN WHICH THE MOST IM-PORTANT UNIVERSITY PREP SCHOOLS ARE LOCATED. THEY ATTEMPTED TO PROVOKE AN OVER REACTION ON THE PART OF POLICE TO GAIN SYMPATHY. THAT EVENING AROUND 1000 STUDENTS REGROUPED IN SAME AREA WITH SAME GOAL. LOCAL POLICE SHOWED RESTRAINT IN PROFES-SIONALLY DISPERSING MOB THROUGH USE OF CLUBS AND TEAR GAS. 200 BELIEVED HIT-NONE HOSPITALIZED. AROUND 50-80 DETAINED BY POLICE ON THE 24TH. AS OF 26 MAY ONLY 6 LOCALS ARE STILL IN CUSTODY. THEY MAY FACE WEAPONS, RIOT, AND DAMAGE TO PROPERTY CHARGES.



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82 ACTION ARA-20

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R 261645Z MAY 71 FM AMCONSUL MONTERREY TO SECSTATE WASHDC 540 INFO AMEMBASSY MEXICO

UNCLAS SECTION 2 OF 2 MONTERREY 060/2

4 ON THE 25TH GENERAL CALM RETURNED TO MONTERREY AS ALL PONDERED EVENTS OF PAST FEW DAYS. THERE IS SOME EXPECTATION THAT SITUATION MAY CHANGE TODAY, WEDNESDAY, AS STUDENTS ARE AWAITING ARRIVAL OF DEMETRIO VALLEJO, EX RAILROAD UNION PRESIDENT WHO RECENTLY RELEASED FROM PRISON WHERE HE SERVED TERM FOR ROLE IN DIFFICULTIES OF DECADE AGO BETWEEN UNION AND GOVERNMENT.

MEXICO CITY FOR POLITICAL AND PUBLIC AFFAIRS COUNSELORS

LOCAL PUBLIC OPINION, ESPECIALLY IN VIEW OF CONTINUED RESTRAINT OF POLICE AND LACK OF MARTYRS, CONTINUES TO BE STRONGLY FAVORABLE TO REOPENING OF UNIVERSITY AND RETURN TO CLASS OF THE STUDENTS. FUTURE EVENTS SEEM TO DEPEND ON THE DETERMINATION OF THE DISSIDENT ELEMENTS AND THE SUPPORT THEY MAY RECEIVE FROM OTHER PARTS OF MEXICO. THEY HOPE THAT STRONG SUPPORT WILL COME FROM THE NATIONAL UNIVERSITY IN MEXICO CITY WHEN ITS STUDENT BODY RETURNS FROM SPRING VACATION JUNE 2. IT REMAINS TO BE SEEN MEETHER THIS SUPPORT IS FORTHCOMING AND WHAT FORM IT MIGHT TAKE.

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R 270103Z MAY 71 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 7539

CONFIDENTIAL MEXICO 2882

SUBJECT: DEFENSE SECRETARY DENJES EXISTENCE OF GUERRILLAS IN MEXICO

BEGIN UNCLASSIFIED

1. FOLLOWING MEETING WITH PRES ECHEVERRIA MAY 25
DEFENSE SECRETARY HERMENEGILDO CUENCA DIAZ STATED,
APPARENTLY IN RESPONSE TO QUESTION FROM PRESS CORPS:
"NEITHER IN THE STATE OF GUERRERO NOR IN ANY PART OF
THE REPUBLIC ARE THERE GUERRILLAS": "IF THEY WERE TO
APPEAR WE WOULD HAVE TO COMBAT THEM RAPIDLY": PERSONS
WHO ROB AND KILL ARE NOT GUERRILLAS, THEY ARE BANDITS."

2. CUENCA DIAZ DEVOTED MOST OF INTERVIEW TO LISTING OF CIVIC ACTION FUNCTIONS OF ARMY: MEDICAL ASSISTANCE, ALPHABETIZATION, ANTI-DRUG EFFORTS, PROVIDING WATER TO DESERT REGIONS, ETC. HE NOTED THAT GUERRERO WAS A PRIMARY AREA FOR THESE ACTIVITIES AND CLAIMED THAT RESIDENTS OF THE GUERRERO SIERRA, WHO USED TO DISTRUST THE ARMY AND RUN TO HIDE, NOW WELCOME IT.

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3. ATTORNEY GENERAL SANCHEZ VARGAS RECENTLY TOOK SIMILAR LINE WITH DCM. ASCRIBING GUERRERO'S LONG-

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STANDING UNREST AND VIOLENCE TO ITS WOLD AND REMOTE TERRAIN. WHICH MAKES IT DIFFICULT TO REACH THE POPULATION AND CONTROL IT.

4. COMMENT: HAVING GIVEN WIDE PUBLICITY TO THE MAR PLOT, OF WHICH 25 MEMBERS ARE PRESEUMABLY STILL AT LARGE. THE GOM NOW APPARENTLY SEES SOME NEED TO PLAY DOWN THE GUERRILLA ISSUE. SINCE THE MAR EVENTS THERE HAVE BEEN A KIDNAP-MURDER IN GUERRERO BY AN OSTENSIBLY REVOLUTIONARY GROUP AND THE ARREST IN SONORA OF MEMBERS OF ANOTHER GUERRILLA-TYPE ORGANIZATION. THE ARMY'S CIVIC ACTION CAMPAIGN IN GUERRERO IS DIRECTED TOWARD REDUCING SUPPORT FOR GENARO VAZQUEZ ROJAS AND HIS NATIONAL REVOLUTIONARY CIVIC ACTION GROUP (ACNR) AND FOR LUCIO CABANAS WHO IS ALSO ACTIVE IN THE COASTAL MOUTAINS OF THAT STATE. CABANAS IS A COMMUNIST AND HIS MOVEMENT IS DEFINITELY IDEOLOGIAL. THE BULK OF THE EVIDENCE POINTS TO A SIMILAR CONCLUSION WITH REGARD TO VAZQUEZ ROJAS. IN ADDITION TO ARMY CIVIC ACTION EFFORTS ALL OR MAJOR PORTIONS OF THE FOUR INFANTRY BATTALIONS STATIONED IN THE STATE OF GUERRERO ARE OPERATING AGAINST THE GUERRILLAS. (SEE DAO Ø348 DTG 252220Z MAY 71) GP-3 END CONFIDENTIAL MCBRIDE

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92 ACTION ARA-20

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P 110105Z JUN 71 FM AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 7725

CONFIDENTIAL MEXICO 3224

SUBJ: STUDENT DEMONSTRATION ERUPTS IN VIOLENCE

- I. APPROXIMATELY 7000 STUDENTS GATHERED THIS AFTERNOON AT CASCO DE SANTO TOMAS CAMPUS OF NATIONAL POLYTECHNIC INSTITUTE (IPN), IN ACCORDANCE PLANS ANNOUNCED JUNE 2 FOR DEMONSTRATION AND MARCH IN SUPPORT OF STUDENTS AND FACULTY AT AUTONOMOUS UNIVERSITY OF NUEVO LEON.
- 2. INFORMATION STILL COMING IN AND REPORTS CONFLICTING BUT IT APPEARS POLICE (ONE SOURCE SAYS PLAIN-CLOTHED "HALCONES") MOVED TO BREAK UP MEETING, WHICH HAD OVER-FLOWED CAMPUS, SHORTLY AFTER 5:00 P.M. SHOOTING STARTED (POLICE CLAIM BY STUDENTS) WITH RESULTING ESTIMATED TWO KILLED AND 30 WONDED, OF WHICH ONE A NEWSMAN. SPORADIC SHOOTING CONTINUES AS OF THIS REPORT, ALTHOUGH STUDENTS ARE NOW REPORTED BREAKING UP INTO SMALL GROUPS AND MOVING OFF CAMPUS.
- 3. OUR PRESENT INFORMATION IS: THAT ARMY WAS ON ALERT BUT DID NOT BECOME INVOLVED IN ACTION AT IPN.
 UNAM AND OTHER CAMPUSES APPARENTLY QUIET. GP.3
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AMCONSUL HERMOSILLO UNN
AMCONSUL MAZATLAN UNN
AMCONSUL MERIDA UNN
AMCONSUL MEXICALI UNN
AMCONSUL MONTERREY UNN
AMCONSUL NUEVO LAREDO UNN
AMCONSUL TIJUANA UNN
AMCONSUL TIJUANA UNN
AMCONSUL SAN LUIS POTOSI UNN
AMCONSUL SAN LUIS POTOSI UNN
AMCONSUL CHIHUAHUA UNN
AMCONSUL MATAMOROS UNN

C O NEF I D E NET I A LIMERICO 3304.

SUBJECT: STUDENT DEMONSTRATION

REF MEXICO 3273:

I. AT 10:00 THIS MORNING RALLY HELD IN THE ZOCALO ORGANIZED BY THE THREE SECTORS OF THE PRI TO SHOW MASS SUPPORT FOR PRESIDENT ECHEVERRIA. THE AREA WAS CLOSED TO TRAFFIC BEGINNING AT 31 A.M. ECHEVERRIA APPEARED ON BALCONY OF NATIONAL PALACE AND IN BRIEF SPEECH SAID HE DOES NOT SEEK THE UNCONDITIONAL APPROVAL OF THE PEOPLE. THE RIGHT TO DISSENT IS THE ESSENCE OF DEMOCRACY, HE ADDED. SPEAKERS FROM THE THREE SECTORS -- POPULAR, LABOR AND CAMPESINO ALSO SPOKE. NATIONAL LEADER OF THE POPULAR SECTOR ESTIMATES ATTENDANCE OF 500,000. AT LEAST SOME



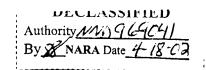
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SCHOOLS: AND: GOVERNMENT OFFICES AREICLOSED: TO: PERMIT' STUDENTS: AND: WORKERS: TO: ATTEND: NO: UNTOWARD: INCIDENTS: REPORTED: SO: FAR.

- 2. THE ATTORNEY GENERAL!'S OFFICE ISSUED: ITS SECONDEBULLETIN JUNE 14 ON THE INVESTIGATION OF THE JUNE 10 STUDENT DEMONSTRATION AND SUBSEQUENT VIOLENCE. THE BULLETIN QUOTED: WITNESSES: AS: SAYING THAT GROUPS: OF ARMED: STUDENTS WERE: FIGHTING AMONG THEMSELVES. IT ALSO QUOTED: THE SECRETARY OF NATIONAL! DEFENSE: TO: THE EFFECT THAT NONE: OF THE ARMY AND AIR! FORCE: TROOPS: TOOK! PART IN THE EVENTS. THAT THEY ONLY GUARDED! CERTAIN CRITICAL AREAS: AND INSTALLATIONS. POLICE REPORT ALSO: QUOTED: TO EFFECT THAT POLICE DID: NOT FIRE ANY SHOTS. NOWHERE IN BULLETIN ARE: "HALCONES!" MENTIONED.
- 3. ECHEVERRIA TOLD GROUP! OF JOURNALISTS YESTERDAY THAT MEXICANS MUST ESTABLISHEA, COMMONIDENOMINATOR IN FIGHT "FOR SOVEREIGNTY OF COUNTRY, FOR ITS ADVANCEMENT AND FOR WELL-BEING OF ITS PEOPLE, INDEPENDENTLY OF POLITICAL OR IDEOLOGICAL POSTURES THAT EACH PERSON, AS: A CITIZEN, CAN HOLD." HE SAID MEXICO'S SOCIAL, ECONOMIC AND POLITICAL PROBLEMS ARE A REFLECTION OF THOSE OF REST OF WORLD.
- 4. STUDENTS AT UNAM WERE MOSTLY BACK: INECLASSES: MONDAY
 AND IN SEVERAL OF FACULITIES STUDENTS. REQUESTED: ADDIT
 TIONAL MONTH OF CLASSES TO FINISH SEMESTER SATISFACTORILY.
 STUDENTS HAVE ALSO FORMED BRIGADES: TO INFORM PUBLIC OF
 WHAT ACTUALLY HAPPENED! JUNE 10. (THEY HAVE ALREADY
 BEGUND AS MONDAY NOON GROUPS OF STUDENTS WERE
 PASSING OUT LEAFLETS DOWNTOWN. AT IPN MOST CLASSES:
 WERE BACKEIN SESSION MONDAY BUT ATTENDANCE WAS LOW.
- 5. DISTRICT POLICE SAID! ONLY SIX OF: 159 ARRESTED JUNE: 10 REMAIN IN: JAIL: ALL OTHERS WERE RELEASED AFTER "SEVERE" WARNING."
- 6. PAN YOUTH LEADER ALMARO: FERNANDEZ DE CEVALLOS SAID: MONDAY ATTORNEY GENERAL!'S: EXPLANATION OF: SHOCK: FORCES: (OR LACK THEREOF!) "DOES NOT SATISFY PUBLIC: OPINION; WHICH: DEMANDS SEVERE PUNISHMENT OF! THE HIGH: OFFICIALS....





Department of State TELEGRAM

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PAGE 03 MEXICO 03304 160132Z

AUTHORS OF THE BLOODSHED." HE SAID! CHARGE THAT FIGHTING OCCURRED BETWEEN GROUPS: OF STUDENTS IS RIDICULOUS.

7. COMMENT: WHILE WE DO: NOT YET DISCOUNT POSSIBLE DRAMATIC MOVE BY ECHEVERIA ACKNOWLEDGING OFFICIAL RESPONSIBILITY, POSSIBILITY OF WHITEWASH NOW SEEMS: EVEN MORE LIKELY.

SECOND ATTORNEY GENERAL REPORT MOVING RAPIDLY IN THAT DIRECTION. EVERY WITNESS QUOTED IN REPORT BLAMES FIGHTING ON DIFFERENT GROUPS OF STUDENTS, AND "HALCONES" NOT EVEN MENTIONED. APPARENTLY FACT THAT "HALCONES" COULD NOT BE LOCATED IN TWO REPORTED LOCATIONS (REFTEL) MEANS THEY DO NOT EXIST. WE CAN EXPECT ATTORNEY GENREAL REPORTS TO CONTINUE IN THIS DIRECTION: IN ATTEMPT TO WIN PUBLIC SUPPORT, DISCREDIT STUDENTS AND DIMINISH GOVERNMENT ROLE IN REPRESSION OF DEMONSTRATION. AS NOTED REFTEL, CREST TENDING TO BECOME! LESS CRITICAL, ALTHOUGH COVERAGE STILL FAIRLY EXTENSIVE. EL! HERALDO CARRIES FERNANDEZ DE CEVALLOS STATEMENT AS: WELL: AS CRITICAL. COMMENT FROM US PRESS IN TUESDAY EDITION. GP.3.

TELEGRAM

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PAGE: 01 MEXICO: 03330 01 OF: 02 1702422

82 ACTION: SS=45!

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OF 1704 152 JUNE 71 FMF AMEMBASSY MEXICO: TO: SECSTATE: WASHDC: IMMEDITATE: 7782

SEE CEREET SECTION 1 OF 2 MEXICO 03330

EXDIS:

SUBJ# US: TRAINING OF MEXICAN: POLICE: AS: RELATED: TO: STUDENT DISTURBANCES.

FOR DEPUTY ASSISTANT SECRETARY HURWITCH AND ARA/MEX

AND (US) & - T West Alb (105) & - The Same as at

REF: Al MEXICO 40 B) MEXICO 232 C) MEXICO 227

1. WE ARE DEEPLY CONCERNED OVER POSSIBILITY THAT USG MAY BE LINKED BY HOSTILE ELEMENTS TO RECENT STUDENT DISTURBANCES, ESPECIALLY THE VILOLENT JUNE 10 RIOTS, THROUGH OUR TRAINING PROGRAM FOR UP TO 20 MEXICAN POLICE OFFICIALS.

2. TO REVIEW HISTORY OF POLICE TRAINING PROGRAM BRIEFLY, DEPARTMENT WILLIRECALL! THAT IN BEGINNING OF JANUARY FOREIGN SECRETARY RABASA URGENTLY ASKED AMBASSADOR FOR USG ASSISTANCE IN ARRANGING FOR SPECIAL OBSERVATION AND TRAINING PROGRAM FOR SELECTED MEXICANS: IN POLICE WORK AND CROWD: CONTROL - RABASA TWICE: TOLD: AMBASSADOR (REF. A) AND UNDER SECRETARY GALLASTEGUE, IN RESPONSE TO A DIRECT QUESTION (PARA 7) REF A), ALSO TOLD DCM THAT THIS PROJECT AND REQUEST FOR: USG ASSISTANCE HAD FULL! BLESSING OF PRESIDENT ECHEVERRIA. INDIVIDUALI SELECTED BY MEXICAN GOVERNMENT TO SET UP AND COORDINATE THIS PROGRAM AND WHOSE APPOINTMENT WITH THE EMBASSY WAS ARRANGED BY FOREIGN SECRETARIAT, WAS: COL. MANUEL: DIAZ ESCOBAR, WHO TRAVELED TO USEIN JANUARY TO WORK OUT PROGRAM WITH AID AND FBI OFFICIALS. FILLOWING THESE DISCUSSIONS, USG OFFERED AND GOM ACCEPTED TRAINING PROGRAM AT AID-SPONSORED INTER-NATIONAL POLICE ACADEMY IN WASHINGTON FOR FOUR 18 WEEK

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COURSES: FOR A TOTAL OF UPLION 20 MEXICAN POLICE OFFICIALS.

THE FIRST GROUP OF FIVE BEGAN TRAINING MARCH 8: AND SCHEDULED TO FINISH JULY 94 THE SECOND AND THIRD OF SIX EACH BEGAN APRIL 19 AND MAY 17 AND SCHEDULED TO END AUGUST 20 AND SEPTEMBER 19 A FINAL GROUP OF THREE IS SCHEDULED TO BEGIN AUGUST 9 AND END DECEMBER 10. IT WOULD THUS APPEAR THAT NONE OF THE TRAINEES HAS YET RETURNED TO MEXICO. THOUGH WE WOULD APPRECIATE ARAZMEX CONFIRMATION OF THIS WITH THE INTERNATIONAL POLICE ACADEMY.

BEING: CONSIDERED EMBASSY EXPRESSED CONCERN: OVER
POSSIBILITY THAT GROUPS: TRAINED IN US MIGHT RETURN.
TO MEXICO: AND PLAY LEADING ROLE IN THE "HALCONES." DEALING
HARSHLM AND PERHAPS EVEN: OUTSIDE! THE LAW WITH STUDENT
LEADERS: AND DEMONSTRATORS: (PARA EIGHT MEXICO S 40) FOR
REASONS GIVEN: REFITELS. EMBASSY NEVERTHELESS: RECOMMENDED: AND
DEPARTMENT CONCURRED THAT WE COOPERATE WITH MODEST POLICE
TRAINING PROGRAM. RECENT EVENTS SHOW THAT OUR CONCERN WAS: MORE
THAN JUSTIFIED.

4. AS MEXICO'S 3273. (PARA, 7) MENTIONED, EXCELSIOR ON JUNE 13 RAN. FRONT PAGE ARTICLE: IDENTIFYING COLD DIAZ ESCOBAR AS DIRECTOR OF THE! "HALCONES!" WHO ARE WIDELY BELIEVED AND INDENTIFIED IN PRESS AS HAVING BEEN PRINCIPLE CAUSES OF BLOODSHED: ON: JUNE: 10, WHICH: SOME: SOURCES SAY REACHED AS HIGH AS OVER 100 KILLED. THIS AFTERNOON'S E ULTIMAS NOTICIAS REPEATS THAT COLD DIAZ ESCOBAR HAS BEEN MENTIONED: IN: THE ATTORNEY GENERAL'S INVESTIGATION AS CHIEF! OR COMMANDER OF "SPECIAL GROUP."

DOMINGUEZ, WHO HAS: JUST RESIGNED! UNDER FIRE, AND ALTHOUGH HE REMAINS IN HIS PRESENT POSITION, HE STANDS A GOOD CHANCE OF BEING OFFICIALLY BLAMED IN THE ATTORNEY GENERAL'S INVESTIGATION FOR THE EXCESSIVE FORCE USED AGAINST THE DEMONSTRATORS. IT IS CONCEIVABLE THAT HE OR OTHER OFFICIALS BLAMED FOR THE BLOOD SHED MIGHT SEEK TO DRAW A RED HERRING ACROSS THE CONTROVERSY BY TRYING TO IMPLICATE USG IN THIS AFFAIR TROUGH OUR TRAINING PROGRAM. ALSO, HOSTILE ELEMENTS IN THE PRESS, SUCH AS EXCELSIOR OR SIEMPRE, AS WELL

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AS: VARIOUS LEFTIST GROUPS: WOULD BEIDELIGHTED TO SEE THE

6. ON THE FACE OF IT AND DEALING STRICTLY WITH THE FACTS: THE USG IS COMPLETELY CLEAN IN THIS MATTER. WE! WERE! OFFICATELY ASKED! BY THE FOREIGN SECRETARY FOR A POLICE: TRAINING PROGRAMS THE MEXICAN GOVERNMENT ITSELF! DESIGNATED COL+ DIAZ ESCOBAR AS COORDINATOR OF THE PROGRAM, THE TRAINEES WERE ALL CERTIFIED TO US TO: BE! QUALIFIED! POLICE! OFFICIALS: AND! NONE: OF: THE TRAINEES. SOFFAR ASEWERKNOW, HAVEFYET RETURNED TO MEXICO. IT WAS ONLY OUR OWN INSIDE INFORMATION THAT LINKED DIAZ ESCOBAR TO THE "HALCONES" HOWEVER HOSTILEFELEMENTS NEED: ONLY PLAY UP THE FACTS THAT DIAZ ESCOBAR, COMMANDER OF THE " HALCONES" HAD BEEN IN CONTACT WITH THE US EMBASSY. HAD VISITED WASHINGTON TO CONSULT WITH US OFFICIALS (AND HAD ALSO ACCOMPANIED MARTINEZ DOMINGUEZ TO THE INDIANAPOLIS: CONFERENCE! ON: CITIES) AND THAT HE HAD SET UP TRAINING PROGRAM, PRESUMABLY FOR "HALCONES", WITH USG ASSISTANCE, AND GREAT DAMAGE COULD BE DONE TO US. EMBASSY THEREFORE RECOMMENDS THAT WE BE PREPARED TO DEAL IMMEDIATELY WITY ANY PUBLIC LINKAGE OF USG WITH DIAZ ESCOBAR AND JUNE 10 EVENTS.

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Department of State

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TO SECSTATE WASHDE IMMEDIATE 7783

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EXDIS:

7. WELHAVE PREPAREDISTATEMENT IN SEPTELL FOR IMMEDIATE USE: IN SUCH EVENT. DEPARTMENT'S IMMEDIATE CONSIDERATION OF: THIS PROPOSED STATEMENT IS REQUESTED SO THAT COMMENTS MAY BE RECEIVED BY !1:00 A.M. JUNE! 17 MEXICO TIME: IF POSSIBLE CHARGE! HAS APPOINTMENT AT NOON WITH UNDER SECRETARY GALLASTEGUI AND PROPOSES TO TELLI HIM OF OUR CONCERN BASED! ON PRESS LINKAGE! OF DIAZ ESCOBAR WITH "HALCONES", TO REMIND HIM OF OUR GOMEREQUESTED POLICE TRAINING PROGRAM, AND TO LEAVE WITH HIM TEXT OF PROPOSED STATEMENT WE WOULD PLAN TO TSSUE: IF NECESSARY CHARGE: WOULD! ALSO SUGGEST THAT SELECTED OTHER ELEMENTS OF MEXICAN GOVERNMENT SHOULD PERHAPS BE MADE AWARELAT HIGH LEVELLOFLOUR TRAINING PROGRAM IF THEY ALREADY DO NOT KNOW IT. WE HAVE INIMIND ATTORNEY GENERAL: SANCHEZ VARGAS, AND PRESIDENT'S SECRETARY FAUSTO ZAPATA (AS WELL AS PRESIDENT ECHEVERRIA HIMSELF) . WE BELIEVE THIS WOULD BE USEFUL, EVEN IF THE STATEMENT NEVER HAS TO BE ISSUED TO LET GOMIKNOW THAT WE ARE CONCERNED OVER POSSIBLE DAMAGE TO US/MEXICAN RELATIONS OUT OF IRRESPONSIBLE AND UNFOUNDED: ATTEMPTS TO CONNECT US TO: JUNE 10 RIOTS: WHETHER BY OFFICIAL INVESTIGATION OR "ACCIDENTAL" LEAKS TO PRESS+

8. WE ALSO STRONGLY RECOMMEND THAT DEPARTMENT DO WHATEVER IT CAN TO INSURE THAT NO PUBLICITY WHATSOEVER BE GIVEN INADVERTENTLY OR OTHERWISE TO MEXICAN POLICE TRAINING BY INTERNATIONAL POLICE ACADEMY OR ANYONE ELSE. WE ARE TAKING SIMILAR
STEPS: HERE TO ASSURE NO LEAKAGE FROM THIS EMBASSY. OBVIOUSLY
THERE SHOULD ALSO BE NO USG. COMMENTS ON CURRENT INTERNAL
MEXICAN POLITICAL PROBLEMS.

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9. SUMMARY OF ACTIONS REQUESTED:

A. DEPARTMENT SCONSIDERATION OF AND COMMENTS ON

PROPOSEDI STATEMENT BY 11:00 A.M. . JUNE 17.

BA DEPARTMENT SECONCURRENCE AND PORT COMMENTS ON COURSE

OF ACTION OUTLINE ABOVE

C4 DEPARTMENT'S DOING ALL POSSIBLE TO ASSURE NO LEAKS OR PUBLIC RELEASE CONCERNING MEXICAN POLICE TRAINING

PROGRAM:

DE CONFIRMATION THAT NONE OF CURRENT TRAINEES! HAVE YET RETURNED TO MEXICO GPH 1

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SECRET 683:

PAGE: 01 MEXICO: 03331 1702172

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EXDIS:

FOR DEPUTY ASSISTANT SECRETARY HURWITCH & ARAZMEX

SUBUA PROPOSED STATEMENT ON POLICE TRAINING

REF# MEXICO S: 3330

1. FOLLOWING IS TEXT OF PROPOSED STATEMENT EMBASSY WOULDS ISSUE IF NECESSARY TO CORRECT ANY MISINFORMATION CONCERNING US TRAINING OF MEXICAN POLICE OFFICIALS AS DESCUSSED SEPTEL!

"THERE HAS: BEEN AN INTERNATIONAL PROGRAM FOR POLICE TRAINING IN THE UNITED STATES FOR FOREIGN POLICE OFFICIALS FOR THE LAST BLANK (DEPARTMENT PLEASE SUPPLY) YEARS THIS PROGRAM HAS BEEN OFFERED BY THE INTERNATIONAL POLICE ACADEMY IN WASHINGTON DOC WITH THE ASSISTANCE OF THE US AGENCY FOR INTERNATIONAL DEVELOPMENT. NATIONS ALL OVER THE WORLD HAVE AVAILED THEMSELVES OF THIS PROGRAM CONTINUOUSLY.

"AT THE BEGINNING OF THIS YEAR THE GOVERNMENT OF MEXICO, THROUGH THE SECRETARIAT OF FOREIGN RELATIONS, ASKED THE GOVERNMENT OF THE UNITED STATES FOR ASSISTANCE IN ARRANGING A SPECIAL OBSERVATION AND TRAINING PROGRAM IN THE UNITED STATES FOR SELECTED MEXICAN POLICE OFFICIALS FOLLOWING DISCUSSIONS BETWEEN US AND MEXICAN OFFICIALS. THE US GOVERNMENT AGREED TO COOPERATE WITH A PROGRAM FOR TRAINING IN POLICE ADMINISTRATION, MANAGEMENT AND OPERATIONS AT THE INTERNATIONAL POLICE ACADEMY FOR A TOTALL OF TWENTY MEXICAN POLICE OFFICIALS IN FOUR DIFFERENT

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GROUPS .

"COURSES INCLUDE TRAINING IN THE USE OF FIREARMS"
BORDER AND CUSTOMS CONTROL, CRIMINAL AND SECURITY
INVESTIGATIONS, INSTRUCTORS METHODS, PATROL OPERATIONS
AND TRAFFIC CONTROL

"THE FIRST MEXICAN POLICE TRAINEES LEFT FOR THIS TRAINING COURSE ON MARCH 8 AND WILL TERMINATE THEIR TRAINING ON JULY 9. REMAINING GROUPS ARE SCHEDULED TO: TRAIN THROUGH DECEMBER 10. ALL PARTICIPANTS MUST BE QUALIFIED POLICE OFFICIALS ACCREDITED BY THE GOVERNMENT OF MEXICO." END TEXT

2. IF PRESSED BY QUESTIONERS EMBASSY SPOKESMAN WOULD ADD:

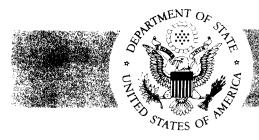
"THE MEXICAN POLICE OFFICIAL WHOM THE MEXICAN GOERNMENT DESIGNATED TO COORDINATE THIS PROGRAM WITH THE USG WAS COLD MANUEL DIAZ ESCOBAR."

3. IF FURGHER PRESSED, HE WOULD ADD:
"COL. DIAZ ESCOBAR VISITED WASHINGTON IN JANUARY
OF THIS YEAR TO DISCUSS ARRANGEMENTS FOR THE COURSE
WITH INTERESTED US OFFICIALS." GP=5.
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June 18, 1971

MEXICO: GOVERNMENT REPRESSION OF STUDENTS CAUSES CRISIS

The violent repression of the June 10 student demonstrations by the Halcones (Falcons), a bully-boy group almost certainly organized by the government, seriously undercuts President Echeverria's recent efforts to establish improved relations with students and Mexican youth in general. He now can expect increasing trouble from this sector, and this in turn could create problems in relations with the US.

Genesis of the problem. Echeverria's difficulties with students date back to 1968 when as Interior Minister he was closely associated with the actions taken to repress the student disturbances which began in July and culminated with the infamous "Tlalteloco massacre" on October 2. Since becoming President, he has labored to overcome his former image and recast himself as one whose objectives were closely attuned to those of the younger generation. In this he was greatly helped by his dynamism and obvious desire to work dramatic changes. The biggest immediate source of tension between Echeverria and the students was the numbers of political prisoners being held as a result of the 1968 riots. He soon released the great majority, including some who had

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This report was produced by the Bureau of Intelligence and Research. Aside from normal substantive exchange with other agencies at the working level, it has not been coordinated elsewhere.

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received long jail sentences. While a few continue to be held, the issue of political prisoners has successfully been diverted from the center of the spotlight of student attention.

Trouble in Nuevo Leon. The cause of the current student difficulties was a change in the bylaws of the University of Nuevo Leon (UANL) in Monterrey by the State Legislature which reduced student-faculty control of the institution. Student opposition and demonstrations were great enough to keep the university closed since May 1. Students throughout the republic and most importantly in Mexico City were preparing to launch a series of sympathy demonstrations. Faced with a deteriorating situation, Echeverria delivered an address affirming his support for the concept of university autonomy and he sent Education Minister Bravo Ahuja to Monterrey to resolve the problem. Minister Bravo went a long way to meet the students' demands on repealing the objectionable law but deeply antagonized those conservative elements who were backing the Governor's program to reduce the autonomy of the university. The Governor was so embarrassed by the situation that he resigned.

The demonstration and riot. Echeverria probably felt that although he had incurred the displeasure of conservative elements, his action was justified because it had won him the respect and esteem of the students. He was no doubt surprised to see that agitation did not cease immediately, and that groups at the National Polytechnic Institute (IPN) in Mexico City planned to demonstrate against the settlement in Nuevo Leon. It is indeed difficult to see what the demonstration in Mexico City was supposed to be about, although the probable reason is

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of much of its cause was not deemed sufficient reason to cancel it. In any case, the students did not need much of an excuse to manifest feelings of opposition to the government. Intelligence and Embassy reporting generally confirm the news account of how the Halcones attacked the students. The result was the bloodiest incident involving students since 1968, resulting in at least ten deaths, 100 injuries and about 160 arrests (most of whom were subsequently released). Many people have identified the Halcones with the government and were highly incensed by the incident. The press coverage was hostile, an attitude that was no doubt accentuated by the fact that several newsmen were assaulted and injured by Halcones. This in turn gave rise to the charge that the group and, indirectly, the government was attempting to suppress news coverage of the activities.

Who are the Halcones? The government has been asserting that there is no connection between the <u>Halcones</u> and any government agency and that they are simply a manifestation of right-wing dissent and equally as repugnant as the leftist student "struggle groups." A clandestine report, however, indicates that the <u>Halcones</u> membership is recruited from university age students who are sons of people friendly with PRI officials enjoying the personal confidence of President Echeverria. The recruits are given a free university education plus some pay and the assurance of a bright future in the PRI. They are trained by army personnel and have been supplied with close to \$200,000 worth of weapons and equipment, including 100 M-1 carbines.

Who is to blame? There has been much press speculation that the SECRET/NO FOREIGN DISSEM

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Halcones were unleashed by conservative high-level government officials who were displeased by Echeverria's kowtowing to student demands and who wished to force a confrontation with the students and bring about Echeverria's eventual overthrow. There is also speculation that Echeverria was seeking to dismiss Martinez Dominguez, mayor of Mexico City, and therefore engineered the atrocity in order to have an excuse to dump him. Neither of these theories appears to be very convincing. A more probable explanation is that Echeverria was playing a double game by meeting student demands at the same time he was supporting the Halcones as a counterfoil to the activist left-wing "struggle groups." Possibly out of anger over the fact that the students insisted on demonstrating even after he had gone to great lengths to meet their aspirations, Echeverria may well have given his blessing to the use of the group against the IPN demonstration. For reasons not yet clear, the operation got out of hand. What is clear, however, is that Echeverria's serious efforts to establish an improved rapport with university students have suffered a significant setback, and he can anticipate further trouble from this sector.

Implications for the US. If the students place themselves in a position of strong opposition to the Mexican government, Echeverria will probably take increasingly repressive measures to keep the situation under control. Should these measures evoke substantial criticism in the US, (e.g. in US media or Congress) continued friendly relations with the Mexican government could be made more difficult. On the other hand, if the Mexican government decides it has to go further toward meeting the demands of students and youth, then some of the highly nationalistic

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policies which these groups advocate may receive closer official attention. For example, the PRI Youth has adopted a resolution calling for the nationalization of the banking industry. If the government decides that it must respond to the recommendations of these groups, then some US economic interests could suffer. However, Echeverria would seek to minimize the impact of whatever harmful effects these developments might have on US-Mexico relations.

INR/American Republics

Acting Director: LEMisback Analyst : PKeller Extension

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Department of State

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EXDIS:

SUBJECT: US: TRAINING OF MEXICAN POLICE AS RELATED TO STUDENT DISTURBANCES:

REF® A) KUBISCHUPETROW' JUNE 17 TELECON B) MEXICO 3331 C) MEXICO 3330

FOR DEPUTY ASSISTANT SECRETARY HURWITCH, AND PETROW

1. FOLLOWING REF TELECON: THIS MORNING WE FOUND TWO BRIEF REFERENCES IN TODAY'S NEWSPAPERS -- THE FIRST WENVE SEEN .. TO ALLETED TRAINING IN US OF INDIVIDUALS LINKED TO JUNE 10 STUDENT DISTURBANCES. ONE WAS ON PAGE: 14 OF EXCELSIOR WHICH REPORTED STUDENT MEETING JUNE 16 AT ZACATENCO CAMPUS OF NATIONAL POLYTECHNIC INSTITUTE (IPN) . AMONG POINTS DISCUSSED AT THAT MEETING BUT ACCORDING TO EXCELSIOR NOT APPROVED UNANIMOUSLY, WAS INDENTIFICATION OF SEVEN PERSONS: AS "CAPTAINS" OR "LIEUTENANTS" OF THE "HALCONES" AND A STATEMENT THAT THEY WERE "TRAINED BY THE CIA IN WASHINGTON." PAGE 46 OF LA PRENSA HAD SIMILARI BRIEF REFERENCE AND USED SEVERAL OF SAME NAMES, SAYING THESE INDIVIDUALS WERE DENDUNCED AS AGENTS OF "YANKEE IMPERIALISM" AND THAT GROUP RECEIVED TRAINING IN THE US AND JAPAN IN FIRING WEAPONS. BOTH STORIES PLAYED UP DIAZ ESCOBAR'S INVOLVEMENT.

2. THESE BRIEF, INSIDE PAGE, PASSING REFERENCES IN OTHERWISE LONG NEWS STORIES: WERE! ALSO NOTED BY A

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REPORTER FOR ENGLISH LANGUAGE NEWS. DURING A TELECON TODAY WITH EMBASSY SPOKESMAN, REPORTER MENTIONED NEWSPAPERS REFERENCE TO CLA AND US TRAINING WHICH SPOKESMAN: PASSED OFF AS USUAL CHARGE OF CIA INVOLVEMENT WHENEVER DISTURBANCES OCCUR. REPORTER LET MATTER DROP.

3. FOUR OF NAMES IN NEWSPAPER ARTICLES ARE IDENTIFIABLE WITH PERSONS SENT TO US FOR POLICE TRAINING:

LT. JAVIER CASTELLANDS AGUEROS, LT. MOISES CUAUHTEMOC GUZMANITORRES, LT. JOSEI LAMBERTO: PONCE LARA, AND LT. FRANCISCO RICARDO VILLASENOR MOTA (SEE MEXICO S 1027 AND 1824).

4. IN ACCORDANCE REF. TELECON CHARGE MET WITH FONOFF UNDER SECRETARY GALLASTEGUI AT NOON TODAY AND, AMONG OTHER THINGS, RAISED THIS SUBJECT, PROVIDING GALLASTEGUI WITH CLIPPING OF EXCELSIOR ARTICLE MENTIONED ABOVE. GALLASTEGUI SAID HE HAD ALREADY SEEN ARTICLE AND WAS NOT SURPRISED THAT CHARGE RAISED MATTER. HE UNHESITATINGLY ACKNOWLEDGED THAT FONSEC RABASA HAD MADE INITIAL REQUEST FOR TRAINING TO AMBASSADOR IN JANUARY AND THAT HE HAD LATER RECONFIRMED TO DCM OFFICIAL NATURE OF REQUEST AND HAD ARRANGED FOR APPOINTMENT OF DIAZ ESCOBAR WITH EMBASSY. HE ALSO RECALLED HIS STATEMENTS TO US THAT PRESIDENT ECHEVERRIA PERSONALLY WANTED EMBASSY AND USG TO ASSIST WITH THIS TRAINING.

5ª CHARGE EXPLAINED OUR CERNERN THAT EMBASSY AND USG MIGHT SOMEHOW BE LINKED WITH DIAZ ESCOBAR, WITH TRAINING OF "HALCONES," OR WITH JUNE 10 DISTURBANCES. POINTED OUT THAT SEVERAL OF NAMES IN EXCELSIOR ARTICLE WERE OF INDIVIDUALS OFFICIALLY ACCREDITED TO EMBASSY BY GOM AND HAD GONE TO US FOR POLICE TRAINING PROGRAM. GALLASTEGUI WAS TOLD THAT AS FAR AS WE KNOW NONE OF THOSE WHO HAD DEPARTED FOR TRAINING HAD RETURNED TO MEXICO AND THAT GOM WAS BEARING STUDENT EXPENSES IN CONNECTION WITH THIS TRAINING.

5. GALLASTEGUI WAS ASKED IF PRESIDENT ECHEVERRIA WAS FULLY INFORMED ABOUT POLICE TRAINING WE WERE PROVIDING MEXICANS AND HE SAID HE FELT CERTAIN ECHEVERRIA

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KNEW ALL ABOUT THE TRAINING ALTHOUGH HE, GALLASTEGUI, HAD! NEVER PERSONALLY DISCUSSED IT WITH THE PRESIDENT; HE! INDICATED THAT FONSEC RABASA HAD. WHEN HE! WAS ASKED! IF! SANCHEZ VARGAS! ALSO! WAS! INFORMED! HE! SAID. HE! DID NOT KNOW. WHEN ASKED IF! MEXICANS! HAD! ALSO! GONE TO OTHER! COUNTRIES FOR TRAINING AS: WE! HAD. BEEN ASSURED THEY WERE, HE! REPLIED IN THE! AFFIRMATIVE SAYING THAT GROUPS! HAD ALSO! GONE! TO: FRANCE! ENGLAND, AND JAPAN.

7. GALLASTEGUT WENT ON TO SAY THAT GOMES REQUEST FOR ASSISTANCE: IN POLICE TRAINING HAD BEEN A LEGITIMATE ONE THAT APPROPRIATE GOME AUTHORITIES HAD WANTED TO SELECT CERTAIN INDIVIDUALS TO GO ABROAD AND STUDY LATEST POLICE TECHNIQUES COVERING VIRTUALLY ENTIRE RANGE OF POLICE ACTIVITIES AND RETURN TO MEXICO LATER THIS YEAR TO ASSIST IN THE REORGANIZATION AND MODERNIZATION OF MEXICO CITY POLICE DEPARTMENT.

8. CHARGE: SAID: THAT: WE! HOPED: NO ATTEMPT WOULD BE MADE IN MEXICAN COMMUNICATIONS: MEDIA TO TRY AND LINK EMBASSY OR USG WITH "HALCONES" OR LAST THURSDAY'S STUDENT DISTURBANCES BECAUSE OF OUR ASSISTANCE TO DIAZ ESCOBAR AND OUR TRAINING OF INDIVIDUALS NOMINATED TO US BY GOM. GALLASETGUI SAID HE UNDERSTOOD SUCH CONCERN. CHARGE SPECULATED THAT ENTERPRISING REPORTERS MIGHT BE ABLE TO FERRET FROM VARIOUS SOURCES, SUCH AS RELATIVES AND ASSOCIATES, FACT THAT FOUR CITED LEADERS OF "HALCONES" ARE RECEIVING USG TRAINING IN WASHINGTON AND THAT NEXT STEP MIGHT WELL BE TO LINK USG WITH BLOODY REPRESSION OF JUNE 10. IF THIS WERE TO HAPPEN, CHARGE ASKED, WHAT WOULD GOM DO? CHARGE SAID THAT EMBASSY AND USG NATURALLY WOULD PREFER NOT TO HAVE TO ISSUE ANY KIND OF STATEMENT CLARIFYING THE MATTER, MAKING IT CLEAR THAT WE HAD NO CONNECTION WHATSOEVER WITH DISTURBANCES -- ALTHOUGH THIS POINT WAS LEFT HANGING IN MID-AIR AS THOUGH USG HAD NOT RULED OUT SUCH AS POSSIBILITY IN ADVANCE'S CHARGE WENT ON TO EXPRESS VIEW THAT IF CHARGES WERELIN FACT MADE AGAINST USG IN MEXICAN PRESS IT WOULD! APPEAR! FAR! BETTER FOR GOM TO TAKE WHATEVER STEPS SEEMED NECESSARY AND APPROPRIATE TO SET RECORD STRAIGHT .

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TELEGRAM

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SECRET 227

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ACTION SS-45

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INFO OCT-01 /046 W

P: 180103Z JUN: 71
FM: AMEMBASSY MEXICOTO SECSTATE WASHDC: PRIORITY 7807

SEEE CEREET SECTION 2 OF 2 MEXICO 3364

EXDIS:

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9. GALLASTEGUE SAID THAT MATTER WAS SUFFICENTLY SERIOUS THAT HE WOULD HAVE TO DISCUSS IT WITH FONSEC RABASA, WHO IN TURN MIGHT ALSO WANT TO CONSULT PRESIDENT ECHEVERED. HE ASKED THAT EMBASSY AND USG MAKE NO PUBLIC STATEMENT OR COMMENT ABOUT MATTER UNTIL HE WAS IN TOUCH WITH US AGAIN LATER TODAY. AS OF 6:30 Pom. WE HAVE STILL NOT HEARD FROM HIM.

10. IN ACCORDANCE WITH HIS REQUEST AND REF TELECON WE ARE MAKEING NO STATEMENTS OF ANY KIND TO PRESS, NOR EXCEPT FOR BRIEF PASSING MENTION BY NEWS REPORTER INDICATED ABOVE, HAVE WE HAD ANY FURTHER INQUIRIES. HOWEVER, FOR REASONS INDICATED IN THIS AND REFTELS WE ARE OF OPINION THAT PRESS WILL NOT LET ALLEGATION OF USG INVOLVEMENT PASS UNNOTICED, AND THAT WITHIN NEXT TWENTY-FOUR TO FOURTY-EIGHT HOURS SOME ACTION WILL HAVE TO BE TAKEN TO DEAL WITH SIEMPRE AND POR QUE AT LEAST CAN BE EXPRECTED TO GIVE FEATURE PLAY TO THIS STORY, AND OTHER PRESS NOT LIKELY TO INGNORE IT. HOMPEFULLY GOM WILL TAKE WHATEVER ACTION NECESSARY BUT IF NOT, OUR BEST OPTION MAY WELL TURN OUT TO BE ISSUING STATEMENT CONTAINED MEXICO 3331, OR SOME VERSION OF IT IN ACCORDANCE KUBISCH/PETROW TELECON WE WILL CONSULT WITH DEPARTMENT BEFORE ACTUALLY RELEASING SUCH A STATEMENT: HOWEVER, SUCH CONSULTATION MAY HAVE TO BE ON EXTREMELY SHORT NOTICE, AND WE WILL APPRECIAATE DEPARTMENT'S READINESS TO MOVE QUICKLY IF CIRCUMSTANCES: SO REQUIRE'S

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Mexico 3368 6/18/71



Department of State

SECRET 848

PAGE: 01 MEXICO: 03368 181811Z

42: ACTION: SS-45

INFO: OCT-01 SSO-00 1046 W CCO-ØØ

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0: 1817492 JUN: 71 FM AMEMBASSY MEXICO TO SECSTATE WASHDO IMMEDIATE 7811

S' E: C: R: E: T' MEXICO: 3368;

EXDIS:

FOR DEPUTY ASSISTANT SECRETARY HURWITCH AND PETROW

SUBJECT: TRAINING OF MEXICAN POLICE

REF . A) STATE 108794 B) MEXICO 3364

1. REFTELS CROSSED LAST EVENING BUT AS YOU WILL SEE FROM OUR MESSAGE, MEETING WITH GALLASTEGUI WENT VERY WELL. HOWEVER, AS OF 11:00 A.M. THIS MORNING (FRIDAY) HAVE STILL NOT HEARD FURTHER FROM HIM.

2. THERE HAS BEEN NOTHING FURTHER IN THIS MORNING S PRESS: ALLEGING US TRAINING OF "HALCONES." FORTUNATELY .. IN A SENSE! .. SOME NEWER NEWS, SUCH AS HURRICANE DAMAGE IN ACAPULCO AND TRADE PROBLEMS, HAS TAKEN OVER FRONT PAGES

3. ATTORNEY GENERAL SANCHEZ VARGAS, WHO IS CONDUCTING INVESTIGATION OF JUNE 10 RIOTS, CALLED CHARGE | LAST NIGHT AND ASKED TO SEE HIM TODAY. APPOINTMENT ARRANGED FOR 12 NOON'S SANCHEZ VARGAS INDICATED THAT SUBJECT WOULD BE NARCOTICS ALTHOUGH THIS MAY BE COVER FOR POSSIBLE DISCUSSION OF US TRAINING OF MEXICAN POLICE. WILL SEND REPORT FOLLOWING THIS MEETING .

4. THERE HAVE BEEN NO FURTHER PRESS QUERIES AND IF RECEIVED EMBASSY WILL HANDLE THEM ORALLY IN

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Department of State

TELEGRAM

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PAGE 02 MEXICO 03368 181811Z

ACCORDANCE REF. A. IF, AS: A RESULT OF LATER DAMAGING PRESS COVERAGE, EMBASSY CONCLUDES THAT OFFICIAL: WRITTEN! STATEMENT SHOULD BE ISSUED WE WILL CONSULT IN ADMANCE WITH DEPARTMENT IN ACCORDANCE REF. A.

5. WELWISH TO DEFER ANY RECOMMENDATION FOR THE PRESENT ABOUT WHETHER OR NOT WE SHOULD TRY AND DISSUADE GOM FROM SENDING FINAL GROUP OF TRAINEES TO US: AUGUST 9. AFTER PRESENT SITUATION SETTLES DOWN AND CLARIFIES SOMEWHAT WE WILL SEND FURTHER MESSAGE ON THIS SUBJECT. KUBISCH

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MEXICO: 03882 182142Z PAGE 01

81 ACTION SS-45!

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EXDIS:

SUBJECT'S TRAINING OF MEXICAN POLICE

REF MEXICO 3368

FOR DEPUTY ASSISTANT SECRETARY HURWITCH AND PETROW

1. NOT HAVING HEARD FROM BALLASTEGUE THES MORNING I TELEPHONED: HIM: AT: 11+30: A.M. JUST BEFORE: LEAVING: FOR MY APPOINTMENT WITH SANCHEZ VARGAS. HE TOLD ME THAT HE HAD! RECEIVED INSTRUCTIONS TO INFORM USG "NOT' TO WORRY" ... PROPER: MEMBURES: HAVE: BEEN. TAKEN" TO DEAL WITH PROBLEM I HAD! RAISED WITH HIM YESTERDAY' WHEN ASKED HE SAID HE WAS UNABLE TO ELABORATE AT THIS TIME BUT REPEATED, "DON"T WORRY, IT'S ALL HANDLED "

2. I ASKED IF HE THOUGHT SUBJECT WOULD BE RAISED BY SANCHEZ VARGAS OR, IF NOT, IF HE SAW ANY REASON WHY I SHOULD RAISE IT. ANSWERING ANY QUESTIONS SANCHEZ VARGAS MIGHT HAVE . HE SAID HE THOUGHT NOT ON BOTH COUNTS BUT WANTED TO CHECK WITH FONSEC RABASA. HE CALLED BACK IN A FEW MINUTES TO SAY HE DID NOT EXPECT IT TO COME UPLAND INDICATED I SHOULD NOT RAISE IT.

3. AT OUTSET OF MY PRIVATE NOON MEETING WITH SANCHEZ VARGAS ON OTHER SUBJECTS (SEPTEL) HE REFERRED TO HIS PRESENT RESPONSIBILITIES TO INVESTIGATE AND REPORT ON JUNE 10 RIOTS HE TALKED OF HIS NEED TO BE "PRUDENT"

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Mexico 3382



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PAGE: 02: MEXICO: 03382 1821422

AND TOTSCREET AND TO BE EVER MINDFULL IN HIS REPORT OF SERVING THE TRUE INTERESTS OF THE MEXICAN PEOPLE ANDE GOVERNMENT . THESE REMARKS: -- COUPLED WITH HES ÎNTÎMATED. CONFÎDÊNTIALÎ MANNER! •• IÎTOKE TO BELOBLIQUE: INDICATION THAT HE HADE BEEN INFORMED OF US POLICE! TRAINING: FOR: ALLEGED! MEMBERS: OF! "HALCONES!" AND: HAD! NO INTENTION OF ALLOWING USG TO BE DAMAGED IN ANY WAY BY HES INVESTIGATION OR REPORT

4. COMMENTE IT APPEARS THAT THE RESPONSIBLE GOM! OFFICEALS ARE SEEING THEIR DUTY AND DOUNG IT ALITHOUGH: WELCONTINUE! TO COORTYTHEM' WILLEBE! 100: PERCENT SUCCESSFUL! IN FORESTALLING ATTEMPTS SOMEWHERE IN THE PRESS OR MAGAZINES TO LINK US WITH DIAZ ESCOBAR AND "HALCONES" IN ANY CASED THERE IS NOTHING MORE! WE! CANE DO NOW . WEE MUST WALT AND DEAL WITH THE PROBLEM FURTHER WHEN AND IF IT ARESES 3P - 1 KUBII SCH!

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PAGE 01 MEXICO 03403 190204Z

92 ACTION SS-45

INFO OCT-01 SSO-00 CCO-00 /046 W

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P 190024Z JUN 71 FM AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 7829

S'E C'R E T MEXICO 3403

EXDIS:

REF: 3368/

1. A FEW MINUTES BEFORE 6 P.M. TODAY MARISOL DIAZ ESCOBAR. DAUGHTER OF COLONEL DIAZ ESCOBAR. APPEARED, AT EMBASSY REQUESTING VISA FOR IMMEDIATE DEPARTURE FROM MEXICO.

2. SRTA. DIAZ ESCOBAR WAS ESCORTED BY FRANCISCO UGALDE URIBE YOUNG STUDENT WHO SAID HE WORKS FOR COLDNEL. ACCORDING TO UGALDE, COL. DIAZ ESCOBAR WILL REMAIN IN MEXICO BUT IS SENDING REST OF FAMILY OUT OF COUNTRY TONIGHT.

Mexico 3403 6/19/71



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Department of State

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PAGE Ø1 MEXICO Ø3558 252245Z

ACTION SS 45

INFO: OCT-01 /046 W

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R: 251904Z JUN 71 FM: AMEMBASSY: MEXICO TO SECSTATE WASHDC 7915:

S'E'C'R E'T MEXICO 3558

EXDIS:

C:O.RIR E C T'E D C O P:Y (CORRECT REFERENCE TO READ MEXICO 3542 VICE MEXICO 3541)

SUBJECT: TRAINING OF MEXICAN POLICE

1. FOREIGN SECRETARY RABASA DISCUSSED WITH ME YESTERDAY QUESTION OF POLICE TRAINING IN U.S. HE SAID HE WAS GLAD CHARGE HAD RAISED THIS QUESTION IN MY ABSENCE WITH UNDERSECRETARY GALL'ASTEGUI: RABASA SAID THAT INITIATIVE FOR THIS TRAINING HAD! OF COURSE, COME FROM MEXICAN SIDE AND HE HAD CONVEYED ORIGINAL REQUEST TO ME. THEREFORE, HE ASSUMED TOTAL RESPONSIBILITY FOR SEEING THAT THERE WAS NO HARMFUL PUBLICITY INSOFAR AS U.S. WAS CONCERNED STEMMING FROM OUR DECISION TO ACCEPT THE MEXICAN REQUEST FOR THIS TRAINING. RABASA SAID HE HAD CONFERRED WITH PRESIDENT ECHEVERRIA WHO HAD KNOWN OF THIS PROGRAM FROM ITS INCEPTION AND WITH ATTORNEY GENERAL SANCHEZ VARGAS. HE SAID EVERY POSSIBLE MEASURE HAD BEEN TAKEN TO PREVENT PUBLICITY ON TRAINING PROGRAM IN U.S. AND I GATHER THAT STIFF MEASURES WERE APPROVED INSOFAR AS PRESS WAS CONCERNED BUT THAT PERHAPS PRESS INTEREST HAD NOT BEEN TOO GREAT. I EXPRESSED SATISFACTION AT MEASURES WHICH MEXICAN GOVERNMENT HAD TAKEN.

2. RABASA WAS AWARE THAT NONE OF TRAINERS IN US HAD YET RETURNED TO MEXICO. HE ASKED REGARDING NATURE OF TRAINING THESE MEN WERE RECEIVING AND WHETHER OR NOT SPECIAL ATTENTION WAS GIVEN TO ANTI-RIOT ACTIVITIES AND TO ANTI-GUERRILLA MEASURES. I REPLIED THAT TRAINING WAS MORE GENERAL IN NATURE AS I UNDERSTOOD IT AND HAD BEEN GIVEN TO NATIONALS OF MANY COUNTRIES OVER A PERIOD OF CONSIDERALBE YEARS.

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P 290026Z JUN 71 FM AMEMBASSY MEXICO TO SECSTATE WASHDO PRIORITY 0000

S: E: C: R: E: T MEXICO: 3622

EXDIS:

FOR DEPUTY ASSISTANT SECRETARY HURWITCH AND ARAZMEX

SUBJECT: US TRAINING OF MEXICAN POLICE

REF: A) STATE 108794 B) MEXICO 3368 C) MEXICO 3621

1. PARA 5 OF REF A) ASKED! OUR: OPINION RE DISSUADING GOM FROM SENDING FINAL GROUP OF TRAINEES FOR IPA COURSE TO BEGIN IN AUGUST. IN PARA 5 OF REF B) WE INDICATED PREFERENCE TO DEFER ANY RECOMMENDATION UNTIL SITUATION MORE SETTLED AND CLARIFIED.

2. MEANWHILE, STATE 114746 (AIDAC: UNCLASSIFIED) OF UUNE 26 TO MEXICO AND THREE OTHER POSTS REQUESTED PRIORITY INDICATION TO AID, W AS TO SPACE REQUIREMENTS FOR IPA'S COURSE NO. 56 (WE PRESUME THAT BEGINNING AUGUST) IN VIEW PROBABLE OVERSUBSCRIPTION. OUR REPLY OF TODAY, WHICH LOU EXEMPT, STATES THAT NO REQUIRE. MENTS: ARE ANTICIPATED. (IT IS REQUESTED THAT IN FUTURE ALL MESSAGES TO THIS POST ON PUBLIC SAFETY TRAINING BE CLASSIFIED .)

3. FOR REASONS WELL KNOWN IN ARA, IT IS CLEARLY INOPPORTUEN TO APPROACH GOM ON THIS QUESTION AT THIS TIME, AND WE DOUBT VERY MUCH THAT ANYONE IN GOM WANTS TO RAISE MATTER WITH US. EVENTS SINCE JUNE 10, ESPECIALLY PROMINENCE OF DIAZ ESCOBAR IN ON-GOING INVESTIGATION OF ROLE OF "HALCONES" IN STUDENT VIOLENCE, OULD ARGUE EOR GOM'S WANTING NO MORE TO DO, AT LEAST FOR FORE-

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SEEABLE FUTURE, WITH SUBJECT TRAINING. THEREFORE, WEDDO NOT ANTICIPATE ANY NEED FOR SPACES IN THE IPA COURSE BEGINNING IN AUGUST. IF THIS SITUATION CHANGES FOR ANY REASON, WE SHALL INFORM WASHINGTON AT ONCE MEST.

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82 ACTION SS-45

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R 300031Z JUN 71 FM AMEMBASSY MEXICO TO SECSTATE WASHDO 7969

S E C R E T MEXICO 3645

EXDIS:

SUBJ: GROUP ALLEGED TO BE PLOTTING OUSTER OF ECHEVERRIA \$ \$1.000 pc \$2.3-8 \$ \$1.000 pc \$1.0000 pc \$

MEXICO'S 3332; B) MEXICO'S: 3381 50 00 1 12.05 1100

- LEGATT SOURCES REPORT INFORMATION, TRANSMITTED THUS FAR ONLY TO THEIR HEADQUARTERS IN WASHINGTON, THAT EX-FEDERAL DISTRICT REGENT ALFONSO MARTINEZ DOMINGUEZ AND OTHER POLITICIANS HAVE BEEN HOLDING MEETINGS AT WHICH THE POSSIBLE OVERTHROW OF PRESIDENT ECHEVERRIA HAS BEEN DISCUSSED. IF TRUE THIS IS A SERIOUS DEVELOPMENT ALTHOUGH NOT UNPRECEDENTED. IN THE MEXICAN POLITICAL CONTEXT IT IS A LONG WAY BETWEEN DISCUSSIONS OF THIS SORT AND ACTION. END SUMMARY.

2. ACCORDING TO A LEGATT REPORT (SECRET, NO FOREIGN DISSEMIN-ATION DATED JUNE 28, BASED ON INFORMATION DEVELOPED JUNE 25, A GROUP! OF POLITICIANS HAVE HELD MEETINGS IN RECENT DAYS TO DISCUSS THE POSSIBLE REMOVAL OF PRESIDENT ECHEVERRIA FROM OFFICE. INDIVID-UALS SPECIFICALLY NAMED AS PARTICIPATING IN THESE MEETINGS ARE: ALFONSO MARTINEZ DOMINGUEZ (FORCED TO RESIGN AS FEDERAL DISTRICT REGENT ON JUNE 15) & COL. MANUEL DIAZ ESCOBAR (CLOSELY IDENTIFIED WITH THE HALCONES). MIGUEL OSORIO MARBAN (FORMER FEDERAL DEPUTY WITH MARTINEZ DOMINGUEZ AND, FROM 1967-70, HEAD OF LA FORESTAL, A GOVERNMENT ENTITY CHARGED WITH AIDING ISTLE FIBER PRODUCERS), FLUVIO VISTA ALTAMIRANO (UNTIL RECENTLY, OFFICIAL MAYOR OF THE DEPARTTMENT OF THE FEDERAL DISTRICT). AND EVERARDO GAMIZ FERNANDEZ (PRESIDENT OF THE FEDERAL DISTRICT PRI COMMITTEE).

3. THE ALLEGED CONSPIRACY, DESCRIBED AS NOW IN THE EARLY TALKING STAGES, IS SAID TO BE MADE UP OF PERSONS WHO LOST THEIR JOBS AS

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TELEGRAM

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A RESULT OF THE JUNE 10 DEMONSTRATION AND REPRESSION, OR WHO ARE IN DANGER OF LOSING THEIR POSITIONS SHORTLY. THEY ARE SAID TO BE DISGRUNTLED BECAUSE OF THEIR RECENT TREATMENT BY ECHEVERRIA, AND CLAIM, AS A CHIEF REASON FOR THEIR DISSATISFACTION, HIS REPEATED CONCESSIONS TO LEFIST DEMANDS. REPORTEDLY, THE PROFESSED INTENTION OF THE GROUP IS TO PROTECT MEXICO FROM BECOMING A MARXIST STATE AS THE RESULT OF WEAK LEADERSHIP.

- 4. OTHER DETAILS OF THE REPORT ARE THE FOLLOWING:
- A. THE CONSPIRATORS REALIZE THAT MEXICAN ARMY ASSISTANCE IS NECESSARY AND WILL MAKE NO EFFORT TO REMOVE ECHEVERRIA WITHOUT IT.NO APPROACH HAS YET BEEN MADE TO MILITARY LEADERS.
- B. ALFONSO CORONA DEL ROSAL, FEDERAL DISTRICT RECENT FROM 1966 TO 1970, HAS BEEN MENTIONED AS A POSSIBLE SUCCESSOR TO ECHEVERRIA IN THE EVENT OF A COUP D'ETAT. CORONA DEL ROSAL IS PRESENTLY VISITING SPAIN.
- C. EX-PRESIDENT LAZARO CARDENAS (WHO DIED IN OCTOBER, 1970) WAS INSTRUMENTAL IN THE SELECTION OF ECHEVERRIA AS THE PRIPRESIDENTIAL CANDIDATE'S WITH CARDENAS DEATH ECHEVERRIA LOST SUPPORT FROM OLDER ESTABLISHED POLITICIANS.
- D. SUBSEQUENT SECRET MEETINGS OF THE GROUP ARE TO BE HELD IN QUERETARO AND VALLE DE BRAVO (MEXICO STATE).
- 5. COMMENT. A SUMMARY OF THIS REPORT IS SUBMITTED AS INDICATING, IF TRUE, THE DEGREE OF UNHAPPINESS RECENT EVENTS HAVE PROVOKED IN THE MARTINEZ DOMINGUEZ CAMP. IT SUGGESTS THAT NO BARGAIN WAS STRUCK AT THE TIME OF THE MARTINEZ DOMINGUEZ RESIGNATION, EITHER ENSURING HIS AGAINST FURTHER IMPLICATION AS A RESULT OF THE ATTORNEY GENERAL'S INVESTIGATION OR PROTECTING VARIOUS OF HIS POLITICAL ALLIES WHO STILL RETAIN IMPORTANT OFFICIAL OR PARTY POSITIONS. IT IS VERY LIKELY THAT MARTINEZ DOMINGUEZ HAS MET WITH CLOSE POLITICAL ASSOCIATES SINCE HIS RESIGNATION ON JUEN 15, AND THAT THESE MEETINGS WILL CONTINUE. THE DISCUSSIONS AT SUCH MEETINGS ARE PROBABLY HIGHLY CRITICAL OF ECHEVERRIA. THESE DISCUSSIONS MAY INCLUDE REFERENCE TO THE DESIRABILITY OF AND POSSIBILITIES FOR REMOVING ECHEVERRIA AS PRESIDENT.
- 6. IN THIS SENSE THERE MAY BE, AS LEGATT SOURCES ALLEGE, AN

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INCIPIENT PLOT -- IN EARLY TALKING STAGES -- TO OVERTHROW ECHEVERRIA. IF SO, IT IS SERIOUS BUT NOT, WE JUDGE, UNPRECEDENTED. THERE WERE SIMILAR RUMORS OF A PLOT AGAINST DIZ ORDAZ DURING THE 1968 STUDENT DISTURBANCES. MANY OF LOPEZ MATEOS CLOSEST ASSOCIATES WERE STRONGLY OPPOSED TO DIAZ ORDAZ AND MAY WELL HAVE EXPRESSED THEIR FEELINGS, IN PROVATE, ABOUT HIS PRESIDENCY IN TERMS NO LESS ALARMING THAN THOSE NOW BEING ATTRIBUTED TO THE MARTINEZ DOMINGUEZ GROUP WITH REFERENCE TO ECHEVERRIA. IN SHORF, IT IS A LONG JUMP IN THE MEXICAN POLITICAL CONTEXT FROM BACKROOM DISCUSSION OF A POSSIBLE COUP! TO ANY REASONABLE HOPE OF SUCCESS, MUCH LESS THE DECISION TO PROCEED.

7. IN THE STRONGE UNDERWOLD OF MEXICANPOLITICS IT MAY EVEN BE THAT MARTINEZ DOMINGUEZ AND HIS GROUP ARE NOT ADVERSE TO ECHEVERRIA HEARING RUMORS OF THEIR POSSIBLE PLOTTING. THAT HE HAS HEARD IS AT LEAST A GOOD PRESUMPTION. FORM THE MARTINEZ DOMINGUEZ POINT OF VIEW SUCH RUMORS MAY SERVE THE PURPOSE OF WARNING ECHEVERRIA NOT TO MAKE FURTHER MOVES AGAINST HIS AND THE INTERESTS OF HIS ASSOCIATES.

8. PERPLEXING ASPECTS OF THE LEGATT REPORT ARE THE ATTRIBUTION OF "CONSERVATIVE-NATIONALISTIC FEELINGS" TO MARTINEZ DOMINGUEZ AND THOSE AROUND HIM, AND THE ASSERTION THAT CARDENAS SUPPORTED ECHEVERRIA, BY IMPLICATION AT LEAST, AGAINST THE INTERESTS OF MARTINEZ DOMINGUEZ AND OTHER POLITICIANS. THE EMBASSY HAS SOME INFORMATION TO THE EFFECT THAT MARTINEZ DOMINGUEZ WAS HIMSELF THE MAIN POINT OF LIAISON BETWEEN CARDENAS AND DIAZ ORDAZ. NANY OF THE PERSONS FREQUENTLY PLACED IN THE MARTINEZ DOMINGUEZ CAMP HAVE LONG RECORDS OF LEFTIST AFFILIATION AND ACTIVITY. IT IS FAR FROM CERTAIN THAT MARTINEZ DOMINGUEZ AND THOSE AROUND HIM CAN BE CANSIDERED IDEOLOGICALLY CONSERVATIVE EXCEPT, PERHAPS, IN A STRICTLY POLITICAL SENSE. IF BROADER IDEOLOGICAL DIFFERENCES ARE REMOVED WE ARE LEFT WITH THE ALLEGED MARTINEZ DOMINGUEZ CHARGE THAT ECHEVERRIA IS EXERCISING WEAK LEADERSHIP. WE HAVE SEE LITTLE EVIDENCE

9. THIS MESSAGE COORDINATED WITH LEGATT AND CAS-. GP-2 MCBRIDE

TO DATE TO SUPPORT THIS CONTENTION.

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82 ACTION ARA-20

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RSR-Ø1 AID-28 OPR-Ø2 /124 W

055209

P 072150Z JUN 71 FM AMCONSUL MONTERREY TO SECSTATE WASHDC PRIORITY 551 INFO AMEMBASSY MEXICO PRIORITY

UNCLAS MONTERREY 072

SUBJECT: CHANGE OF GOVERNMENT AND THE UNIVERSITY PROBLEM

REF: MONTERREY MAS AND MASS, MEXICO: 3110

1. POLITICAL DEVELOPMENTS IN NUEVO LEON OVER WEEKEND WERE DRAMATIC AND FAST MOVING. ON EVENING OF JUNE 4 UNIVERSITY RECTOR TREVIHOGARZA RESIGNED. SHORTLY THEREAFTER COMMISSION OF EX-RECTORS APPOINTED BY STATE CONGRESS ONLY 24 HOURS EARLIER TO STUDY SITUATION AND DRAFT NEW UNIVERSITY ORGANIC LAW, SUBMITTED THEIR DRAFT. THIS IMMEDIATELY APPROVED IN EARLY MORNING HOURS OF JUNE 5. A FEW HOURS LATER IT BECAME PUBLIC KNOWLEDGE THAT GOVERNOR ELIZONDO PLANNED RESIGN. HE READ RESIGNATION TO STATE CONGRESS DURING EARLY AFTERNOON. CONGRESS ACCEPTED, AND ANNOUNCED THAT AT WOULD APPOINT LUIS M. FARIAS, FEDERAL SENATOR FROM NUEVO LEON, AS GOVERNOR TO REPLACE ELIZONDO. FARIAS SWORN IN DURING EVENING JUNE 5. AND NEXT DAY SIGNED NEW UNIVERSITY ORGANIC LAW.

ROMPLETE AUTONOMY TO UNIVERSITY. MANY IMPORTANT LOCAL POWER GROUPS, INCLUDING SOME OF THE STUDENT GROUPS ACTIVE IN FIGHT AGAINST DLD LAW AND FAVORING AUTONOMY. FEEL THAT LAW TOO SWEEPING IN ITS EFFECTS. THEY ALSO CONCERNED AT SPEED WITH WHICH LAW DRAFTED, PROPOSED, ENACTED AND SIGNED, WITHOUT APPARENT CONSULTATION WITH INTERESTED UNIVERSITY FLEMENTS. CONSERVATIVE ELEMENTS OF COMMUNITY ARE ORVIOUSLY SHOCKED AT SUDDEN AND DRASTIC REVERSAL OF THEIR APPARENT "VICTORY" IN UNIVERSITY DISPUTE. THEY FEEL

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THAT PRICE EXACTED BY GOM FOR UNIVERSITY "AUTONOMY" WAS 100 EXTREME. THEY COMMENT, FOR EXAMPLE, THAT RESIGNATION OF RECTOR TREVIHO WAS WRITTEN ON STATIONERY FROM HOLIDAY INN, HOTEL WHERE MINISTER BRAVO AHUJA WAS STAYING, AND IMPLY THAT IT WAS IN RESPONSE TO HIS ORDER. THEY NOTE THAT SPEED WITH WHICH SITUATION SO ABRUPILY CHANGED INDICATES THAT IT PLANNED BY GOM.

THERE NOW CONSIDERABLE FERMENT IN LOCAL POLITICAL CIRCLES, AND RUMORS ARE RIFE OF POSSIBLE FUTURE PROBLEMS. THERE HAS BEEN TALK OF POSSIBLE DEMONSTRATIONS BY CENTER AND RIGHT GROUPS OP-POSED TO NEW UNIVERSITY LAW AND TO POLITICAL DEVELOPMENTS OR NEEKEND. IT WIDELY REPORTED, HOWEVER, THAT GOM ORDERED THAT NO DEMONSTRATIONS BE HELD. THERE ALSO TALK OF POSSIBLE FURTHER RESIGNATIONS OF LOCAL OFFICIALS, BUT PICTURE HERE IS ALSO UNCLEAR. AT PRESENT, NEW GOVERNOR STAYING AT HOTEL ANCIPA UNDER HEAVY GUARD. ALTHOUGH ALL UNIVERSITY FACULTIES APPARENTLY BACK IN SESSION, MEETING BEING HELD BY STUDENTS THIS MORNING TO STUDY NEW LAW AND DECIDE ON THEIR POSITION. AS SITUATION DEVELOPS, WILL REPORT FURTHER.

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SUBJECT: Congressional Inquiry on Police Training

NEW: Mexico 3331 Pol 23-5 Wex

PRESENT LINGUES

Summary - Senator Fulbright has inquired about reported training of "Halcon" officers in the United States. We answered using previously agreed-upon contingency statement contained reftel, plus some additional remarks.

1. Chairman Fulbright has sent following letter to Mr.

Matthew Harvey, AID Office of Legislative Affairs, Quote:

A press report from Mexico City carried in the 'Foreign

Broadcast Information Service' for June 18 (page L1)

alleges that the military officers in charge of the

'Falcons" were trained in the United States. The reports

specifically mentioned Colonel Manuel Diaz Escobar.

(2)

Paragraph. I would appreciate any information available

ARA/MEX:FJAlberti:1je

DRAFTING DATE 7/8/71

TEL. EXT. 29480

APPROVED BY:

ARA/MEX - Mr. Smith

ARA - Mr. Hurwitch

AID/OPS - Mr. Goin (info) (**)
H - Mr. Samuels (subs) (**)

AID - Mr. Harvey //

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addition, please supply a detailed description of AID's police or related training programs involving Mexican nationals for the last five years. Include the names of each Mexican receiving such training, as well as the dates, location, and nature of training. End quote.

2. We made following reply: Quote: I refer to your letter of June 25 concerning a report from Mexico City carried in the Foreign Broadcast Information Service, which claimed that military officers in charge of the 'Falcons,' allegedly a group used to smash student demonstrations, were trained in the United States.

Paragraph. In early January this year the Mexican Government, through the Secretariat of Foreign Relations,

				
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asked the United States Government for assistance in

arranging a special observation and training program in ,

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the United States for selected Mexican police officials. Colonel Manuel Diaz Escobar was the Mexican police official designated by the Mexican Government to coordinate this program with the United States Government. Paragraph. There has been an international program for police training in the United States for foreign police officials for the last 16 years, and for the past eight years this program has been offered by the AID-administered International Police Academy in Washington, D.C. Sixty-five nations from all over the world have availed themselves of this program. I have enclosed additional literature on the International Police Academy. Paragraph. Following discussions between United States and Mexican officials, the United States Government agreed to cooperate with a program for training in police administration, management, and operations at the

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International Police Academy for a total of 20 Mexican police officials in four different groups. We understood that, at the same time, similar programs were requested and undertaken in Japan and the United Kingdom: All costs, such as transportation and per diem, are borne by the Mexican Government. Courses include training in border and customs control, the use of firearms, criminal and security investigations, instructor methods, patrol operations, and traffic control. All participants must be qualified police officials accredited by the Government of Mexico. Paragraph. Pursuant to the Mexican Government's request, there are currently 17 Mexican professional police officers undergoing training at the International Police Academy. The first Mexican police trainees began this course on March 8 and will terminate their training on July 9. Remaining groups are scheduled to train

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through December 10. None of the trainees has yet returned to Mexico. Paragraph: I have enclosed, as you requested, a list of all Mexican police trainees to date, including the dates and nature of their training. Paragraph. I hope that this information has been responsive to your inquiry. However, if you have any further questions, please let us know. End Quote.

3. In views past close coordination this matter between Embassy and GOM, you may wish to pass substance above on to Mexican officials on confidential basis.

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S F C R E T MEXICO 3897

LIMDIS

SUBJ: MEXICAN POLICE TRAINING

WET A-MEXICO CITY 3886; REF B-STATE 123734

3. DCM MET FRIDAY NIGHT WITH FONOFF UNDER SECRETARY BALLASTEGUI AND DISCUSSED EXCHANGE OF LETTERS SET FORTH IN REF 3. GALLASTEGUI WAS VISIBLY UPSET BY NEWS OF SENATOR FULBRIGHT'S INQUIRY AND DETAIL CONTAINED IN DESTIS UNCLASSIFIED REPLY. HIS IMMEDIATE REACTION WAS CONCERN THAT SENATOR FULBRIGHT OR A MEMPER OF HIS STAFF START PURLICIZE THIS INFORMATION IN WASHINGTON LEADING TO S REPLAY OF STORIES HERE.

HE ACKNOWLEDGED THAT INQUIRY GREW OUT OF NEWS REPORT THREST ING IN MEXICO CITY JUNE 18 AND NOT FROM ANY NUTBATIVE OR ATTENTION * GETTING DISCLOSURE IN WASHINGTON. LISO TOOK NO ISSUE WITH USGES UNDERSTANDABLE DECISION TO TAKE THEORMATION CONCERNING TRAINING AVAILABLE TO SENATOR REGHT CHCE IT HAD BEEN REQUESTED. HIS REAL CUNCERN WAS THE TRAINING PROGRAMED WHICH FONDER HAD IN GOOD TH REQUESTED WITH APPROVAL OF PRESIDENT ECHEVERRIAL HIGH HAT PROVIDED, MIGHT NOW BE PUBLICIZED AND SUBJECTED TO SPICE THATARTION WITH CONSEQUENT INJURY TO GOMA TO USGA UN PERHAPE TO OUR BILATERAL RELATIONS.

I. TO MADE I DETAILED RECORD OF DOM'S PRESENTATION. LIDICIALLY OF SUBSTANCE OF THE TWO LETTERS WHICH DOM





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CONVEYED TO HIM FROM HIS OWN NOTES, NOT HAVING OR WANTING TO HAVE - ACTUAL TEXTS OF LETTERS AT HAND DURING THIS MEETING. GALLASTEGUI NATURALLY REFRAINED FROM MAKING OR IMPLYING ANY CRITICISM WHATSOEVER OF USG IN THIS MATTER, ALTHOUGH HE DID FOCUS SEVERAL TIMES ON DATE . JUNE 25 -OF SENATOR FULBRIGHT'S INCOMING LETTER AND FACT THAT WE HAD ALREADY REPLIED - PRESUMABLY JULY 9 - TO THAT LETTER BEFORE EVEN MENTIONING IT TO GOM! HE INDICATED SOME DISAPPOINTMENT THAT USG HAD KEPT SUCHEAN IMPORTANT MATTER FROM GOM ESPECIALLY SINCE MEXICANS HAD TRUED TO WORK SO CLOSELY WITH US ON THIS PROBLEM. DCM SAID INCOMING LETTER HAD RECEIVED ROUTINE HANDLING IN THE BUREAUCRACY, ACCOUNTING FOR MUCH PASSAGE OF TIME, AND THAT REPLY OF TYPE MADE WAS CLEARLY UNAVOIDABLE IN THE CIRCUMSTANCES AND WAS ACTUALLY A SKILLFULLY DRAFTED LOW KEY LETTER WITH BEST HOPE OF LAYING MATTER TO REST. GALLASTEGUI GAVE NO INDICATION WHETHER OR NOT HE ACCEPTED THIS.

++ GALLASTEGUI SAID HE WOULD INFORM FONSEC RABASA AT ONCE, AND THAT RABASA UNDOUBTEDLY WOULD INFORM "HIGHER AUTHORITY" IMMEDIATELY. HE DIDN'T KNOW IF GOM WOULD WANT TO DISCUSS MATTER FURTHER WITH US LATER FRIDAY WIGHT OR THIS WEEKEND BUT LEFT THAT POSSIBILITY OPEN. ICOMMENT: AS OF 11 A.M. SATURDAY MORNING WE HAVE HEARD WOTHING FURTHER.) GALLASTEGUI EXPRESSED APPRECIATION FOR THE INFORMATION AND ASKED! THAT WE KEEP GOM INFORMED OF ANY NEW DEVELOPMENTS. HE EXPRESSED THE HOPE THAT WE TOORDINATE CLOSELY ON DEALING WITH ANY FURTHER PROBLEM THAT AROSE AS A RESULT OF THIS TRAINING PROGRAM, INCLUDING MAY UNFAVORABLE PUBLICITY OR PUBLIC DISTORTION OF PROGRAM.

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SUBJETT: POLICE TRAINING

1. FOREIGN SECRETARY RABASA DISCUSSED WITH ME YESTERDAY SUBJECT OF MEXICAN POLICE: TRAINING IN UNITED STATES. HE WAS QUITE RELAXED ABOUT POSSIBITLITY OF CONNECTING THIS TRAINING WITH EVENTS OF JUNE 10. HE SAID THAT OF COURSE IT WOULD BE UNFORTUNATE IF THIS SUBJECT WERE AGAIN RAISED IN THE PRESS. HOWEVER, HE CONCLUDED THAT IF ITHWERE, MEXICAN GOVERNMENT WOULD DENY EMPATICALLY THAT TRAINESS IT HAD SENT TO UNITED STATES HAD ANYTHING TO DO: WITH "HALCONES" AND THE ATTACKS AGAINST STUDENT DEMOSTRATORS. MEXICAN GOVERNMENT WOULD SIMPLY NOTE THAT ON JUNE 10, ALL OF THE RELATIVELY SMALL NUMBER OF TRAINESS HAD BEEN IN THE UNITED STATES AND THAT THE FIRST TO RETURN HAD NOT COME BACK UNTIL A MONTH AFTER THESE EVENTS.

RABASA SAID THAT BOTH HE AND PRESIDENT ECHÉVERRIA WERE FULLY AWARE OF THE NATURE OF OUR POLICE TRAINING PROGRAM AND OF COURSE CONTINUED TO SECOGNIZE THAT SENDING MEXICAN STUDENTS THERE HAD SEN AS THE RESULT OF MEXICAN INITIATIVE. EXEMPT.



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Mexico 4069 7/17/71

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ACTION: Amembassy Mexico

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SUBJECT: Police Training Program

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REF: Mexico 4069; Mexico 3621; State 114746 N

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- Does more relaxed GOM attitude toward matter raise complete possibility GOM may desire/rentinue subject program as previously planned?
- 2. This would involve call forward six Mexican police officers for IAGC Class 56 beginning Aug 9 with trainees arriving Washington nlt Aug 7. Names and usual bio would be needed prior cob July 22.
- 3. Also senior/officer Class 54 reports GOM considering advanced technical investigations training starting Aug 16, that is just after Class 54 graduates on Aug 13. Deadline for any such GOM advanced training request would be required prior cob July 21.
- 4. In view above and despite sensitivity this matter Embassy may wish consider at its discretion approach

DRAFTED BY:

ARA/MEX: CESmith

7/19/71

TEL. EXT. 20661

APPROVED BY:

ARA/MEX - Mr. Ste

Stevenson

CLEARANCES:

AID/OPS - Mr. Goin (subs)

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GOM concerning GOM desire continue program. While decision on program entirely in GOM hands it would be great help to TPA for forward planning purposes to be aware GOM intentions.

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FORM DS-322



DEPT. DISTRIBUTION DEPARTMENT OF STATE RIGINACTION ARA-10 RS/F Decentralized Files. Original to be Filed in FILE DESIGNATION CONFIDENTIAL EUR KXMXXEBרFFXCXAK×USE× AIR POUCH DEPARTMENT OF STATE INE HANDLING INDICATOR DEPARTMENT OF ST TO Department OF CAN AFFAIRS BUREAU OF INTER-AMERICAN AFFAIRS AUG 26 **1971** AUG 25 19/1 FROM August 20, 1971 GOM Anti-"Porra" Campaign SUBJECT : REF 7)50 SUMMARY: In recent weeks the GOM has been arresting a number of "porras," young toughs, some students, who SUGGESTED DISTRIBUTION have been used in the past to keep leftist students, and student groups in line. This crack-down is in response to widespread public demands, and also is an attempt to take some of the heat off the Government elements of resulting from general knowledge that the GOM bore responsibility for the bloody repression of the June 10 student demonstration by the "Halcones." "Porra" attacks continue but it appears the GOM, under POST ROUTING TO: Action Info. Initials the lead of Mexico City Regent Octavio Senties, genuinely AMB/ attempting to bring them under control. осм POL BACKGROUND: For several years groups of student and non-ECON student young toughs have been used by rightist elements, CONS including administrators of preparatory schools and ADM university faculties, and perhaps by politicians as well, to keep leftist student groups in line. The Government has given some tacit support and encouragement to the USIS use of these groups to keep the students off balance, but they are not as directly sponsored by the GOM as were the "Halcones." All these right-wing groups called "porras," do not appear to be connected, although the "Francisco Villa Group" includes more than one gang of Action Taken: "porras." Their activities have included more than CONFI**D**ENTIAL Date: For Department Use Only FORM 10-64 DS -323 Initials Approved by: POL:TJeurke:kmd POL: HFMatchews 8/19/71 840 Clearances: P/R - Mr. Venable (draft) ★ U. S. GOVERNMENT PRINTING OFFICE: 1966 O - 202-219 (258)

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Mexico A-453 Page 2

merely keeping leftists in line. They have also, presumably without the approval of their patrons, terrorized students in general, demanding "protection" money. Student deaths have resulted from a number of incidents, mostly from beatings received at the hands of the "porras." Sometimes their activities have been pure vandalism. From time to time the "porras" have been decried but there had not been a concerted effort by sufficiently high authorities to get rid of them.

CURRENT CRACK-DOWN: Following the June 10, 1971, student demonstration and its bloody repression by the "Halcones," almost clearly a government-sponsored group, there began new denunciations of the "porras," their similarity to the "Halcones" being clear. Following "porra" attacks on prep schools July 13 and July 16, Senties met with directors of six such schools and asked for cooperation in getting youths to abandon violence and vandalism. Again on July 22 Senties met with 16 school directors to discuss violence in the schools. The directors, led by the director general of the National University preparatory schools, appealed to Senties for Government action to put an end to this violence. Senties called for assistance from fathers of the youths and from students and teachers to assist the Government in its efforts. That evening, Senties went on television to appeal to the citizens of Mexico City to cooperate with police and civil authorities and to adopt an attitude of civic responsibility in order to prevent violence and vandalism. He referred to his meetings with directors of the preparatory schools in an effort to end the violence in those institutions, and he called attention to the number of robberies and armed assaults in Mexico City since December 1970. One measure taken immediately by the UNAM College of Sciences and Humanities was to form brigades of its own to repel any attacks on its students or buildings.

The Federal District Attorney General's office announced August 6 the arrest of four youths as a result of their having been denounced by students and teachers at one of the city's preparatory schools. The same day the various police elements received instructions to assist any citizens and genuine students who seek protection from "porras" or other youthful vandals. Also August 6, 90 more young people were arrested after beating up three storekeepers, looting dozens

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Mexico A-453 Page 3

of bottles of liquor, stealing a bus and driving it to Aztec Stadium, where they were finally arrested. The Federal District Government and the Federal District Attorney General's office, as well as, the city police, called for any victims of the "porras" to come forward to testify, and the press announced that a police search for additional "porras" was underway. The call was answered by more students and teachers, and on August 11 the police announced that numbers of "porras" were leaving the city, including eight accomplices of the four previously arrested. The same day 30 additional "porras" were ordered arrested, and Senties announced that the fight against them would continue. It did, as ten more were arrested the next day.

Even with all this anti-"porra" activity, not all attacks have ended. On August 14 another attack on a preparatory school occurred, but teachers and students went promptly to the office of the Federal District Attorney General, Sergio García Ramírez, to complain and attempt to indentify those guilty. An unidentified number of "porras" were arrested that day.

It is unclear exactly how many accused "porras" have so far been arrested, and of those how many are being held. Senties told reporters August 15 that the campaign would continue and be intensified, adding that such activities as those engaged in by the "porras" would not be tolerated.

COMMENT: The denunciation of the "Halcones" following the June 10 repression of the student demonstration brought forth an outcry, not only from student groups but at the beginning from the press as well. Following President Echeverria's announcement that he had instructed Attorney General Sanchez Vargas to make a thorough investigation of the affair, there was speculation shortly afterward that the report would be ready in about two weeks. This has not happened, and it is quite possible that it will never be released, at least in a believable form that clearly fixes responsibility for the "Halcones" action on the Government. The Embassy believes it quite likely that the current concentrated effort to control the "porras" is an attempt on the part of the GOM to take some of the heat off itself because of lack of a

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Mexico A-453 Page 4

forthcoming Attorney General report on the June 10 events. The report has not been forgotten by the students, who are certain to bring the matter up again, but at least the GOM will be able to point out that it has taken vigorous action against other, similar right-wing groups.

It is not clear whether groups such as the "porras" will be permitted to exist so long as they confine their efforts to restricting leftist student activities. The GOM has in the past felt the need for countervailing rightist groups in the schools and universities to balance the active leftists, and it seems unlikely it will wish now to give the latter free rein. However, the "porras" are being given a strong signal to cease their outrageous behavior against students in general and the public at large.

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C-O N.F I D E N T I A L: SECTION 1 OF 2 MEXICO 4765

SUBJ: RESIGNATION OF ATTORNEY GENERAL SANCHEZ VARGAS

REF® MEXICO®S 4750

1. SUMMARY - ATTORNEY GENERAL SANCHEZ VARGAS RESIGNATION AUG 19 APPEARS DUE TO BASIC CONFLICT IN PHILOSOPHY AND STYLE WITH PRESIDENT ECHEVERRIA, AND TO UNRESOLVED COMPLICATIONS ARISING OUT OF THE JUNE 10 STUDENT RIOT. BASED ON CIRCUMSTANTIAL EVIDENCE THE EMBASSY BELIEVES THE DECISION TO REPLACE SANCHEZ VARGAS WAS TAKEN PRECIPITOUSLY AS LATE AS THE EVENING OF AUGUST 18. FINALLY, THE EMBASSY BELIEVES THAT ECHEVERRIA HAS STRENGTHENED HIS POSITION WITH THIS RESIGNATION.

2. SEPTEL GIVES BIO DATA ON AND SPECULATES ON POSSIBLE REASONS FOR APPOINTMENT OF NEW ATTORNEY GENERAL PEDRO OJEDA PAULLADA TO REPLACE JUILIO SANCHEZ VARGAS. THIS TELEGRAM SPECULATES ON POSSIBLE REASONS FOR THIS CHANGE, WHICH IS THE SECOND IN THE ECHEVERRIA CABINET SINCE ITS FORMATION DECEMBER 1, 1970, THE FIRST HAVING BEEN THE RESIGNATION OF FEDERAL REGENT ALFONSO MARTINEZ DOMINGUEZ FOLLOWING THE HARSH REPRESSION OF STUDENT DISORDERS ON JUNE 10, 1971.

3. BACKGROUND ON SANCHEZ VARGAS - SANCHEZ VARGAS WAS THE ONLY REAL HOLDOVER FROM THE DIAZ ORDAZ CABINET, AS FINANCE MINISTER MARGAIN AND AGRICULTURE MINISTER AGUIRRE WERE

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Mexico 4765

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Department of State TELEGRAM

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PAGE 02 MEXICO 04765 01 OF 02 2022092

APPOINTED LATE IN THAT REGIME. SANCHEZ VARGAS WAS APPOINTED ATTORNEY GENERAL IN MARCH 1968 AFTER HAVING SERVED IN AN ACTING CAPACITY FOR SOME MONTHS PRIOR. THE ATTORNEY GENERAL'S OFFICE HAD THE FEWEST CHANGES OF ANY MINISTRY FOLLOWING THE INAUGURATION OF ECHEVERRIA . ALL: ITS: SENIOR: OFFICIALS: REMAINED: IN-PLACE: WITH THE: EXCEPTION: OF: THE: ELDERLY GENERAL: WHO HAD BEEN HEAD OF THE FEDERAL JUDICIAL POLICE. DESPITE SANCHEZ VARGAS REFERENCE IN HIS LETTER OF RESIGNATION TO THE PRESSURE OF WORK AND HIS INABILITY TO TAKE A SINGLE DAY OFF SINCE THE BEGINNING OF THE ECHEVERRIA ADMINISTRA-TION. THE ATTORNEY GENERAL'S OFFICE GIVES THE IMPRESSION OF BEING AMONG THE LAST BUSY AMONG THOSE WITH WHICH THE EMBASSY IS IN REGULAR CONTACT. SANCHEZ VARGAS HIMSELF WAS 57 YEARS OLD AUG 17 AND HIS BACKGROUND HAS BEEN PRIMARILY IN THE LEGAL AND JUDICIAL FIELDS HE HAS THE REPUTATION OF BEING METICULOUS, PONDEROUS, INFLEXIBLE AND A MAN OF GREAT PERSONAL INTEGRITY.

4. SANCHEZ VARGAS POLITICAL VIEWS - SANCHEZ VARGAS IS KNOWN AS A "HARD-LINER" WHO BELIEVES IN TAKING STERN MEASURES AGAINST LEFTISTS, STUDENTS AND OTHERS WHO DISRUPT ORDER AND SEEK TO CHANGE THE LONG ESTABLISHED MEXICAN SYSTEM OF GOVERNMENT. SANCHEZ VARGAS BEARS SOME RESPONSIBILITY FOR THE BLOODY REPRESSION OF THE STUDENTS AT TLATELOLCO IN OCTOBER 1968 AND HE WAS SPECIFICALLY RESPONSIBLE FOR PROSECUTING THE LEADERS, MANY OF WHOM RECEIVED LENGTHY JAIL TERMS. THERE IS SOME EVIDENCE THAT HE HAS NOT BEEN SYMPATHETIC TO ECHEVERRIA'S POLICY OF RELEASING ALMOST ALL OF THE 1968 STUDENT LEADERS: IN AN EFFORT TO GAIN SUPPORT FROM THE LEFT AND FROM AMONG THE STUDENTS.

5. THE REPORT ON JUNE 10 - IN THE WAKE OF THE EVENTS OF JUNE 10 ECHEVERRIA GAVE SANCHEZ VARGAS THE DELICATE AND DIFFICULT TASK OF PRODUCING A FULL AND HONEST REPORT ON THE CAUSES OF THAT VIOLENT CLASH WHICH SAW THE STUDENTS HARSHLY REPRESSED BY WHAT ARE GENERALLY ACKNOWLEGED GOVERNMENT-SUPPORTED YOUNG TOUGHS, THE "HALCONES." THIS TASK WAS ESPECIALLY SENSITIVE BECAUSE FEDERAL REGENT MARTINEZ DOMINGUEZ BEFORE HE RESIGNED FLATLY DENIED ANY GOVERNMENT



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PAGE 03 MEXICO 04765 01 OF 02 202209Z

CONNECTION WITH THE "HALCONES," BECAUSE MANY SENIOR MEXICAN OFFICIALS AND POLITICIANS, INCLUDING THE PRESIDENT, WERE INVOLVED IN OR HAD KNWLEDGE OF GOVERNMENT SUPPORT. TRAINING AND ARMING OF THE "HALCONES," AND BECAUSE THE PRESS AND THE STUDENTS WERE GENERALLY AWARE THAT THE GOVERNMENT WAS BEHIND THE "HALCONES." ON JULY 22 THE ATTORNEY GENERAL MADE A PRELIMINARY REPORT IN WHICH HE SAID HE COULD FIND NO EVIDENCE OF RELATIONSHIP BETWEEN FEDERAL AUTHORITIES AND THE "HALCONES," BUT HE PROMISED TO CONTINUE THE INVESTIGATION. WITH THE PRESIDENT'S TRADITIONAL STATE OF THE UNION MESSAGE DUE ON SEPTEMBER 1. THE PRESSURE TO RELEASE A FULL REPORT ON THE JUNE 10 EVENTS HAS BEEN INCREASING THE CURRENT GOVERNMENT CRACKDOWN LED BY NEW FEDERAL REGENT SENTIES AGAINST THE "PORRAS" (GROUPS OF RIGHT WING YOUNG TOUGHS OPERATING IN SCHOOLS AND UNIVERSITIES) REPRESENTS AN ATTEMPT TO REDUCE SOME OF THE PRESSURE BUT THE STUDENTS. THE LEFT AND THE GENERAL PUBLIC NEVERTHELESS HOPE FOR A FULL REPORT ON THE JUNE 10 EVENTS.

6. ECHEVERRIA'S POLICIES - DURING HIS FIRST NINE MONTHS IN OFFICE ECHEVERRIA HAS SOUGHT TO PORTRAY HIS ADMINISTRATION AS BEING MORE OPEN AND DEMOCRATIC AND MORE RECEPTIVE TO THE VIEWS OF ALL SEGMENTS OF THE MEXICAN PEOPLE. THIS HAS INCLUDED ATTEMPTS TO OPEN A DIALOGUE WITH THE STUDENTS AND THE LEFT, AND TO SHOW THAT IT IS MORE FLEXIBLE AND WILLING TO COMPROMISE, AND MORE CANDID WITH THE PEOPLE. HE HAS ALSO TRIED IN MANY WAYS, BOTH IN STYLE AND SUBSTANCE, TO SHOW THAT HIS REGIME HAS MADE A CLEAR BREAK WITH THE PAST AND ITS MORE AUTHORITARIAN METHODS. THESE POLICIES HAVE NOT BEEN POPULAR WITH THE OLD GUARD, WHICH VIEWS THEM AS PRESENTING DANGEROUS POSSIBILITIES FOR THE DESTRUCTION OF THE MEXIAN SYSTEM OF GOVERNMENT. IN THIS SENSE SANCHEZ VARGAS CAN BE CONSIDERED A MEMBER OF THE OLD GUARDA THOUGH HE IS NOT BY ANY MEANS A POLITICIAN. ECHEVERRIA'S STYLE HAS ALSO CONTRASTED WITH THAT OF SANCHEZ VARGAS, SINCE THE FORMER IS HARD-DRIVING. ENERGETICA SOMETIMES IMPETUOUS, AND FULLY AWARE OF THE NEED FOR POLITICAL CONCILIATION AND COMPROMISE.



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S E C R E T MEXICO 4940

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SUBJECT: POLICE TRAINING

1. SEPTEL REPORTS RESULTS OF STUDENT INVESTIGATION ON JUNE 10 EVENTS AND THEIR MEETING WITH ATTORNEY GENERAL OJEDA PAULLADA AUGUST 28. SEVEN PERSONS NAMED BY STUDENTS AS TRAINING HALCONES ARE LISTED IN REPORT, AND PRESS, AS FOLLOWS: " UN SENOR TERRONES, OTRO ROEL, JAVIER CASTELLANOS, MOISES CUAUHTEMOC, JOSE LAMBERTE PONCE LARA, FRANCISCO VILLASENOR AND PERES MORALES . "

2. ON CHECKING EMBASSY RECORDS, WE FIND THAT AT LEAST THREE PERSONS NAMED DID INDEED RECEIVE TRAINING AT INTERNATIONAL POLICE ACADEMY IN WASHINGTON. JAVIER CASTELLANDS AGUERO WAS HEAD OF FIRST GROUP, WHICH LEFT MEXICO FOR WASHINGTON MARCH 5 AND RETURNED JULY 11. JOSE LAMBERTO PONCE LARA WAS MEMBER OF SAME GROUP. FRANCISCO VILLASENOR WAS MEMBER OF SECOND GROUP, WHICH LEFT MEXICO FOR WASHINGTON APRIL 17 AND RETURNED AUGUST 14.

3. IN ADDITION, STUDENT REPORT MAY HAVE MADE MISTAKE WITH NAME "TERRONES". ROGELIO FLORES BERRONES ACCOMPANIED MANUEL DIAZ ESCOBAR TO WASHINGTON JANUARY 20 TO NESOTIATE THE TRAINING PROGRAM. DIAZ ESCOBAR WAS ALSO ACCOMPANIED IN JANUARY BY JAVIER CASTELLANOS.

4. COMMENT: PUBLICATION OF DETAILED REPORT BY STUDENT GROUP WILL UNDOUBTEDLY INCREASE PRESSURE ON PRESIDENT







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AND ATTORNEY GENERAL TO MAKE RESULTS OF GOM INVESTIGATION PUBLIC SOON. THERE ARE INDICATIONS ECHEVERRIA MAY DEAL WITH SUBJECT IN HIS INFORME SEPT 1. IF TREATMENT ON THAT OCCASION, HOWEVER, IS NOT SATISFACTORY, AGITATION IS LIKELY TO INCREASE. STUDENTS WILL CONTINUE TO INSIST ON OFFICIAL ACKNOWLEDGEMENT OF GOVERNMENT ROLE BEHIND HALCONES AND ASSURANCES THAT ALL SUCH GROUPS WILL BE PERMANENTLY DISBANDED.

5. SINCE FORMER MAYOR, CHIEF OF POLICE OF FEDERAL DISTRICT AND ATTORNEY GENERAL HAVE ALL RESIGNED, GOM WILL PRESUMABLY LAY THE BLAME AT THEIR DOORS. IT PROBABLY CANNOT TAKE ANY FURTHER ACTION AGAINST THESE INDIVIDUALS EVEN IF IT SO WISHED, BECAUSE THEY KNOW TOO MUCH ABOUT THE COMPLICITY OF OTHER SENIOR OFFICIALS IN THIS AFFAIR. EMBASSY ALSO BELIEVES TRAINING IN THE US AT INTERNATIONAL POLICE ACADEMY WILL PROBABLY ALSO BE CONFIRMED IN LOW-KEY FASHION ALONG LINES OF OUR UNDERSTANDING WITH FOREIGN SECRETARY RABASA. EMBASSY URGSS NO COMMENT BY US OFFICIALS IN WASHINGTON OR HERE. WE PLAN REFER ANY PRESS INQUIRIES TO GOM. GP-I.



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LIMITED OFFICIAL USE SECTION I OF 4 MEXICO 5014

SUBJ: PRESIDENT ECHEVERRIA'S REPORT TO THE NATION

REF: A) MEXICO 4995 B) MEXICO 4991 C) MEXICO 4955

1. SUMMARY: PRESIDENT ECHEVERRIA DELIVERED HIS FIRST ANNUAL REPORT TO THE NATION BEFORE JOINT SESSION OF CONGRESS SEPTEMBER 1. SPEECH LASTED TWO HOURS 50 MINUTES AND WAS INTERRUPTED BY APPLAUSE 81 TIMES, INCLUDING 15 STANDING OVATIONS (USUALLY WHEN NATIONALISTIC, AND PARTIOTIC THEMES SOUNDED). FOCUS WAS PRIMARILY ON ACCOMPLISHMENTS OF HIS ADMINISTRATION IN NINE MONTHS TO DATE. THERE WERE ONLY OCCASIONAL REFERENCES TO ADMINISTRATIONS'S FUTURE PLANS. MEXICOLCITY SERIOUS DISTURBANCE OF JUNE 10 WAS HANDLED WITH DELICACY, AND PROMISE OF REPORT BY ATTORNEY GENERAL'S OFFICE WAS RENEWED. TREATMENT OF INTERMATIONAL AFFAIRS WAS AS REPORTED REFS A) AND BI EXCEPT FOR OMISSION OF PARAGRAPH DEALING WITH BRACEROS (PARA 9, REF A). END. SUMMARY

2. ATMOSPHERICS. ECHEVERRIA BROKE WITH TRADITION ST WALKING, RATHER THAN PYDING, THE SIX OR SEVEN SCHOCKS FROM NATIONAL PALACE TO CHAMBER OF DEPUTIES AND BACK AGAIDS

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Mexico 5014 9/2/7



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PAGE 02 MEXICO 05014 01 OF 01 2002000

HIS CORECH WAS THREE MINUTES SMORTLY THAN ELIVATE INSERMS BY DIAZ ORDAZ ONE YEAR AGO AND WAS INTERRUPTED 32 TIMES MOST. ALTHOUGH APPLAUSE ON MAN OCCASIONS SEEMED MORE ORCHESTRATED THAN SPONTANEOUS. AMONG MOST ENTHUSIASTIC OVATIONS WERE TWO FOR MRS. ECHEMERRIA (AT MENTION OF HER SOCIAL WELFARE ACTIVITIES AND LATER OF HER EARTHQUAKES RELIEF VISIT TO CHILE) AND ONE FOLLOWING DECLARATION OF 1972 AS "YEAR OF JUAREZ," COMMEMMORATING CENTENARY OF HID DEATH . IN EFFECT, SPEECH WAS PRIMARILY AN ACCOUNTING OF FACT ACHIEVEMENTS, THERE WAS LITTLE BY WAY OF PROBLEM ANALYCIS (WITH SOME GENERALIZED DISCUSSION OMITTED FROM PREPARED TEXT. PRESUMABLY TO SAVE TIME! AND FEW INCLIATIONS OF FUTURE ACTIONS, BY GOM. YET BY MEXICAN STREETEDS INFORME PROBABLY HAD PROPER PACE AND TORE. ONL SURPOSE, CLEARLY, WAS TO FURTHER IMPRESSION OF VICORCUS LEADERSHIP EFFECTIVELY MEETING CHALLENGES OF MODERN SOCIETY. A KEY PHRESE, USED BY ECHEVERRIA AND ECHOED BY CHAMBER PRESIDENT LUIS DUCOING GAMBA IN HIS 25-MINUTE RESPONSE, WAS, "TO GOVERN IS TO COORDINATE." NET EFEE'CL OF RHETORIC WAS THAT GOM PLAYS KEY ROLE IN ORCHESTRATING ALL THAT IS GOOD AND PROGRESSIVE. FINALLY, RELATIVELY BRIEF TREATMENT OF FOREIGN POLICY IS BOTH CHARACTERISTIC OF INFORMES AND REPRESENTATIVE OF HEAVY CONCENTRATION BY PRESENT GOM ON INTERNAL AFFAIRS.

THE TOTAL POLITICAL HIGHLIGHTS. MOST OF PRESIDENT'S REMARKS RELEVANT TO INTERNAL POLITICAL AFFAIRS WERE CONTAINED IN EIGHT*PAGE OPENING SECTION ENTITLED ADJUDICIAL ORDER. IN IT, AFTER REFERENCE TO SUPPEMACY OF THE LAW EQUAL TY BEFORE THE LAW AND RECENT LEGISLATIVE RETOS. THE MENTIONED DRUG PROBLEM AS ONE OF "SOCIAL PHENOMENA CHARACTERISTIC OF CONTEMPORARY WORLD WHICH FLOW ACROSS BORDERS." SAID THAT CONVERSATIONS BETWEEN GOM AND US AUTHORITIES WERE PROCEEDING IN SPIRIT OF COOPERATIONS WITH TOTAL OF COOPERATIONS WITH TOTAL OF COOPERATIONS WITH TOTAL OF COOPERATIONS AND USE OF HALLUCINGGENICS, MARTIMANA AND DANGEROUS DRUGS. ADDED THAT CAMPAISN BY ATTORNEY GENERAL, WITH ASISTANCE OF ARMY, HAD SHOWN SATISFACTORY OF LAW AND ESTROYING EROWING AREAS, SEIZING ORDED AND ELECTRICAL AND SETTING OR SATISFACTORY.

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MARTH WHO HAD CONFESSED TO COMMITTING ASSAULTS AND ROBBERIES AND TO FORMING PART OF SUBVERSIVE GROUP TRAINED IN HURTH KOREA IN ORDER TO COMMIT CRIMES AND SUBVERT CONSTITUTIONAL ORDER IN MEXICO. (THERE WAS NO MENTION HERE OF ATTENDANT EXPULSION: OF FIVE: SOVIET DIPLOMATS.) ECHEVERRIA THEN NOTED THAT MAJORITY OF PERSONS SUBJECT TO JUDICIAL PROCESS "FOR CRIMES COMMITTED DURING 1968 DISTURBANCES" HAD BEEN RELEASED. FITHER OUTRIGHT OR ON APPEAL.

5. HE NEXT REFERRED TO EVENTS OF JUNE 10, "A STUDENT DEMONSTRATION IN THE STREETS OF MEXICO: CITY BROKEN UP BY ARMED SHOCK - TROOPS . " HE CONDEMNED AGGRESSION EMPLOYED AGAINST DEMONSTRATORS AND MEXICAN AND FOREIGN JOURNALISTS COVERING THE EVENT WHICH RESULTED IN "DOZENS OF PERONS INJURED AND SEVERAL DEAD." THESE FACTS, HE SAID, DESERVE CONDEMNATION OF ALL SECTORS, ESPECIALLY THOSE CHARGED WITH MAINTAINING PUBLIC ORDER. (THIS WAS AS CLOSE AS PRESIDENT CAME TO ACKNOWLEDGING GENERALLY * CREDITED CITY HALL ROLE IN: JUNE 10 EVENTS .) HE THEN RECALLED HAVING ORDERED INVESTIGATION OF JUNE 10 AND SAID HE HAD CONFIRMED (IMPLICITLY, THROUGH APPOINTMENT OF NEW ATTORNEY GENERAL) THAT INVESTIGATION BE DEEPENED AND ACTIVELY PURSUED. THIS PASSAGE CONCLUDED WITH "CATEGORICAL" PRESIDENTIAL CONDEMNATION OF EVENTS OF JUNE 10. (AT NO POINT DID ECHEVERRIA MENTION FORCED RESIGNATIONS OF ATTORNEY GENERAL SANCHEZ VARGAS, FEDERAL REGENT MARTINEZ DOMINGUEZ OR MEXICO CITY POLICECHIEF, AND IN PRESS INTERVIEW AUGUST 31 HE SAID THERE HOULD BE NO CABINET CHANGES. MESSAGE LIKEWISE IGNORED RESIGNATION OF NUEVO LEON GOVERNOR ELIZONDO LAST SPRING BUT DID EMPHASIZE UNIVERSITY AUTONOMY IN SUBSEQUENT SECTION ON EDUCATION:

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CONFIDENTIAL 270

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CONFIDENTIAL MEXICO 5089

SUBJ. CORONA DEL ROSALI ON THE HALCONES REF# MEXICO 4939

BEGIN UNCLASSIFIED

IN INTERVIEW WITH EXCELSIOR PUBLISHED SEPT 5, FORMER REGENT CORONA DELEROSAL DENIED THAT HE HAD ANYTHING TO DO WITH FORMATION OF HALCONES "OR ANY OTHER GROUP WITH SIMILAR PURPOSES." HE STATED THAT DURING HIS TENURE IN CITY HALL HE WAS "NEVER ORDERED TO FORM ANY ARMED REPRESSIVE OR CLANDESTINE GROUP." HE THEN ASKED THE INTERVIEWER, "WHO WOULD HAVE ORDERED ME TO DO IT?"

2. CORONA DID SAY THAT PERSONS WERE HIRED TO PROTECT PUBLIC: INSTALLATIONS IN THE CITY BUT THAT THEY WERE NOT ARMED AND DID NOT RECEIVE ANY MILITARY TRAINING. HE SAID THEIR FUNCTIONS ENDED NOVEMBER 30, 1970, WHEN HE LEFT OFFICE.

BEGIN CONFIDENTIAL

3. COMMENT: EXCELSIOR PRINTED STORY WITHOUT COMMENT, PROBABLY FEELING COMMENT UNNECESSARY. IT IS DOUBTFUL MANY PEOPLE WILL: BELIEVE CORONA'S STATEMENTS. GP+3. MCBRIDE

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September 23, 1971

MEXICO: AN EMERGING INTERNAL SECURITY PROBLEM?

Developments over the past several months point to the possible emergence of a growing internal security problem in Mexico. The difficulty lies in President Echeverria's probable inability to meet student demands for a public confession that the government was linked to the bloody Subpression of demonstrations in mid-June. The threat potential of the problem is compounded because of the recent discovery of several small guerrilla groups, whose ranks could be swelled by dissatisfied students, and indications of disciplinary problems in the army, to which the regime would have to look to maintain security.

The student problems. A showdown with students did not appear probable when Echeverria took office in December 1970, for he moved to win them over by releasing many of those imprisoned after the 1968 riots. was also very forthcoming on student demands concerning university autonomy in the State of Nuevo Leon. However, when students in Mexico City staged a sympathy demonstration despite the favorable settlement of the Nuevo Leon problem, Echeverria may have become angry and ordered or

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consented to the use of a government-organized group of toughs known as the <u>Halcones</u> (falcons). The government had formed these clandestine groups after the 1968 riots in order to be able to confront leftist students with other groups, also ostensibly students, thus avoiding the use of uniformed security forces.

This arrangement enjoyed some initial success, but the Halcones cover was badly blown on June 10 when open police cooperation erased any doubt that the government was linked to the group. The resulting uproar led to the resignation of the mayor and the police chief of Mexico City and prompted Echeverria to promise an investigation of the bloody incident. An interim report submitted by Attorney General Sanchez Vargas wasa complete whitewash and led to his sudden resignation on August 19. The new attorney general has met with student leaders who presented him with over 300 pieces of testimony, as well as photographs, tapes, films, and a report by "Student Commissions of Investigation and Information" allegedly proving government complicity in the affair. The resignation of Attorney General Sanchez should buy Echeverria some time, but the student leaders will doubtless continue to press for a public admission of the government's hand in the violence.

The insurgency problem. Insurgency groups are not completely new in Mexico, although the last time an insurgency became a major threat was the 1928 Christero revolt. Groups have operated in the states of Chihuahua, where an army barracks was attacked in 1965, and Guerrero, where general lawlessness has led to the formation of bandit gangs with some political overtones. On March 16 the Mexican government announced the capture of 19

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members of a group known as the Revolutionary Action Movement, comprised of students who had been studying in Moscow and had subsequently received training in North Korea. In retaliation, the Mexican government expelled five Soviet diplomats. Since then, several more members of the group have been killed or captured in widely separated areas of Mexico. While it undoubtedly has been badly hurt by the effective action on the part of the security forces, the group has not been eradicated. Recent intelligence reports reveal the existence of another group known as the Armed Forces of the New Revolution (FANR) whose known activities thus far consist of two robberies. The group is small and is apparently an offshoot of one of the groups operating in Guerrero. There is a report of still another guerrilla group operating in the state of Nuevo Leon, and yet another urban group known as the Armed Commandoes of the People (CAP) has now come to public attention.

None of these groups is a threat to the government, and their capabilities for violence are very limited. At present their importance may lie mostly in the fact that they form discontented nuclei whose ranks could be swelled by disaffected students. Should the guerrilla groups attract significant numbers of students into their ranks, the government would have to rely more heavily on the armed forces than is traditionally the case in Mexico. Because of this contingency, reports of possible signs of tensions developing in the military are of more than usual interest and importance.

The military problem. We do not as yet have enough reporting from reliable sources to be confident as to the exact nature and scope of discontent in the ranks of the military, but almost certainly some does exist. The

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basic issues appear to be poor food and failure of the lower ranks and non-commissioned officers to receive appreciable pay raises at the same time that the higher ranks received substantial increases. There are reports that members of some units have actually staged acts of open rebellion and that arrests and some executions have taken place. If the reports are true, the government can be counted on to take very forceful measures to quell any disturbances and to adopt measures to alleviate the causes of discontent as much as possible. However, if the Mexican government faces civil disturbances of student or guerrilla origin before the situation in the army is ironed out a very serious situation could result. The likelihood of such a happening is admittedly not great; the troops have little love for students and would probably be willing to forget their difficulties temporarily if given the chance to crack a few heads.

Implications for Mexico. President Echeverria has many assets at his command to cope with each of the problems outlined. Nevertheless, the student issue has moved with a certain momentum probably not foreseen by the president. A combination of student or guerrilla sponsored disturbances would require Echeverria to rely more strongly on the armed forces for a crackdown. Such action would not directly threaten the government, but prolonged repression would place severe strains both on discipline within the army and on the viability of the political system. Most importantly, it would greatly reduce the president's ability to work out solutions to Mexico's more fundamental problems of rural and urban poverty, a veritable population explosion, and the growing disillusionment of the younger generation. The situation could also produce adverse effects upon the Mexican economy, not only because there would undoubtedly be some increase in resource allocations to the military

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which would diminish funds available for other needs, but also because in a time of increased tensions the climate for investment would be less favorable. This would be particularly true in the case of foreign investment because terrorists have tended to target foreign investors as being imperialists.

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general whose picture EXCELSIOR chose to run on the front page was Corona del Rosal. On October 5, a further interview with Corona appeared, having been written by an EXCELSIOR reporter who happened to be on the same plane with him. EXCELSIOR's report on on the October 13 ceremony in which tribute was paid to former President Manuel Avila Camacho on the anniversary of his death again featured the remarks made by Corona del Rosal. Although neither the October 5 interview nor the October 13 report concerned halcones, they reminded EXCELSIOR's extensive readership that Corona, who, along with his successor, Alfonso Martinez Dominguez, is clearly associated with the halcones, is still around.

Another means used by EXCELSIOR and its afternoon edition, ULTIMAS NOTICIAS, has been detailed reporting on the arrests, on different charges, of two youths, one reportedly an halcon and the other a porrista. Both confessed to having been employed by the Federal District Government to fight students.

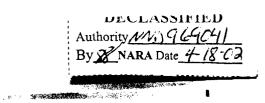
ULTIMAS NOTICIAS, on September 28, carried the interesting account of Alvaro Espinosa Aguilar, who was arrested in Guanajuato after beating a young woman while in a state of heavy intoxication. According to the account, the young man forgot why he was arrested and began confessing to his role in the June 10 affair. He reportedly told police that he had been sent to disperse the student demonstration. At the time he had been employed by the Department of the Federal District as a street cleaner. The columnist, Miguel Angel Granados Chapa, went on to say that after more than one hundred days, an halcon has finally appeared. Granados Chapa listed a variety of questions that the young man's testimony presumably answered, such as who hired him, what role his employer played in the administration of the Federal District, who became his boss when he was converted to being an halcon, who were his companions, who were their commanders, how much money did they make, and where and from whom did they receive their instructions on June 10. Granados Chapa pointed out that some of this information is already in the hands of the Attorney General, having been supplied August 28 by the group of students and teachers headed by Heberto Castillo (Mexico 4939).

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An even more revealing, and for the GOM embarrassing, discussion of halcones appeared October 18 in EXCELSIOR's account of the arrest of a confessed porra leader, Pedro Eduardo Guzmán Maldonado. Several papers carried the story but EXCELSIOR got into the specifics of the confession, which clearly implicated the Federal District Government in attacks on leftist students since 1968. Guzmán Maldonado, arrested with another alleged porrista for attempted robbery, was reportedly attending the National University, under a scholarship, in the Faculty of Political and Social Sciences. The university, however, denied that he had obtained a scholarship. Guzmán Maldonado said in a long press interview that the Federal District Government has sent rightist groups since 1968 to combat leftist and communist student groups. He said that in 1968 the group of which he was the leader, fought against students who were instigated by communists and leftists and who "finally sold themselves to the CIA." He admitted that his group worked together with the halcones in October 1968, under instructions from a Lic. Carrillo, whose full name he professed not to know and who he thought was dead. Guzmán Maldonado said Lic. Carrillo paid him 1,000 pesos weekly because he was a leader, while the other members of his group, 10 or 15, received 500 pesos. He said he was in Acapulco October 2, 1968, but nevertheless knows what happened. As to June 10, 1971, Guzmán Maldonado said he spent the day in the District Attorney's office, but he named two groups of halcones designated to break up the student demonstration. Although Guzmán Maldonado did name some of his fellow porristas, he refused to give names of others to the press in order, he said, to avoid causing them harm. Guzmán Maldonado reportedly later attempted to commit suicide in jail, but the attempt was frustrated by prison guards.

EXCELSIOR is not the only publication that reminds its readers of the June 10 events, although it is the most influential and widespread. The leftist magazines POR QUE? and SIEMPRE carry something about those events in every issue. POR QUE? has been particularly bitter in attacking the Government (Mexico 5032).

The pending Attorney General's investigation has also been mentioned in the Senate. On September 23, PRI Senator José



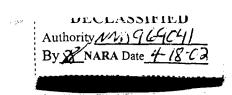
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Rivera Pérez Campos from Guanajuato told his colleagues that the results of the investigation must show the truth and not attempt to satisfy people's impatience. This statement, also printed in EXCELSIOR, was presumably intended to defend the GOM from critics who are calling for the results of the investigation.

The opposition National Action Party (PAN) also periodically reminds the Government that an investigation is pending. EL HERALDO told its readers October 12 that an initiative to reform the Mexican Constitution with respect to the structure and functioning of the Attorney General's office was circulating among PAN deputies. At the same time, according to the account, PAN would take advantage of the presentation of its initiative to ask what is happening to the investigation.

The subject of June 10 was brought up with Echeverria himself on October 7 during a discussion he held with a group of students at Benito Juárez University in Durango. In what was reportedly a somewhat unruly session, one student, apparently referring to Echeverría's speech two days earlier at the United Nations, asked the President whether "the exposition of Mexico before the other countries includes what happened on June 10." Presumably the student already knew the answer, as the full text of Echeverria's U.N. speech had been printed in virtually every Mexican newspaper the previous day. In any case, the President did not answer the question directly but said that what happened on June 10 was an act of agression against the Government and added that "whoever does not understand that does not understand what is happening in Mexico." He said that agression came at a time when the Government was fighting for university autonomy, referring to the crisis at the University of Nuevo Leon that had started the entire chain of events.

There are some indications that within the Government itself June 10 has by no means been forgotten. Following the earlier resignations of the Federal District Regent, the Chief of Police and the Attorney General, three additional important resignations have taken place within the last several weeks.



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Not all of them can be clearly connected with the June 10 tragedy, however. On September 8, Eduardo Estrada Ojeda, chief of the Secret Service, a plainclothes branch of the Federal District, resigned (Mexico 5298). He was reportedly forced to resign because his son was discovered to be a leader of the Francisco Villa Group of porras. Eight days later, Raúl Mendiolea Cerecero, Subdirector of the Federal District police, resigned. His resignation, however, is most likely connected with the failure of police to catch the perpetrators of a robbery at a Mexico City branch of the Banco de Comercio on September 14, when police had the robbers in sight during the chase. Echeverría himself was reportedly involved in the police communications during the chase.

Quite clearly connected with the June 10 crisis and its aftermath was the resignation of Everardo Gámiz Fernández from his post of PRI chief for the Federal District on October 1. Gámiz' resignation had been rumored ever since his mentor and close political ally, Martínez Domínguez, fell on June 15 (Mexico A-551 of October 22, 1971).

As the Embassy has reported previously (A-453 of August 20, 1971), the GOM may be using its current anti-porra campaign to take some of the pressure off itself for its failure to come forth with a complete and believable report on the June 10 tragedy. This anti-porra campaign is continuing. Since August 20 there have been further denunciations of porras by Regent Octavio Senties Gómez and various lists of porristas have been presented to the GOM, including one list of 150 alleged porristas presented to the Attorney General's office and given to the press by the National Union of Mexican Women on August 25. The same day Senties told a group of students, teachers and fathers of students that the Federal District Government would continue its fights against the porras. Another group of 135 alleged porristas were denounced by student leaders of various faculties at the National University on September 14. At least two dozen suspected porristas have been arrested in the past two months, and two others were killed in a shoot out with police on August 30. While the Embassy does not know how many of these arrested porristas were later released, some have been charged, and at least three have been sentenced to jail terms of between five and six years.

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All this activity, however, has not stopped porra attacks entirely. These attacks periodically take place at various preparatory schools, the last such reported attack having occurred October 14. It is difficult to know just how many of the suspected porristas have been picked up only to be released later. Also unclear is just how much success the GOM will have in its apparent attempt to let its antiporra campaign help take the place of a full and honest report on June 10. The events of that day are too widely known for a whitewash to be taken seriously by students or even by the public in general. However, it now looks as though the government hopes to get by without ever risking a full report despite its earlier promises.

McBRIDE



NAMBADA (GANGAR)

December 9, 1971

RANSOM PAYOFFS WILL ENCOURAGE MORE POLITICAL KIDNAPPING MEXICO:

Polaz & Mex

The Mexican Government's payment again of ransom demands, in response to a second terrorist kidnapping of a government official, will probably encourage further kidnap attempts. Foreign diplomats could be targeted, but Mexican officials appear to be in the most danger. Eventually the government will probably stop paying off abductors; meanwhile, it can be counted on to clamp down as hard as possible on terrorist elements.

Kidnapping as a terrorist tactic in the hemisphere. Revolutionary terrorist groups throughout the hemisphere have resorted in recent years to kidnapping as a means of obtaining funds and effecting the release of political prisoners. Abducting foreign diplomats offered several advantages to the terrorists in that political prisoners were ransomed, governments were subject to intense international pressure, and the terrorists obtained world-wide publicity. The wave reached its peak in 1970 when 14 foreign officials, seven of them American, suffered acts of violence, and as many as 70 prisoners were released as ransom for a single ambassadorial hostage. Diplomatic kidnappings have fallen off significantly in 1971, partly because governments have



This report was produced by the Bureau

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gradually been coming around to the conviction that ransom demands must not be met.

Will diplomats be targeted in Mexico? Mexico, heretofore free of political kidnappings, has now experienced two such actions in 1971, and ransom has been paid in both instances. These payoffs will encourage the terrorists to attempt additional abductions, particularly since the considerable number of imprisoned terrorists provides tempting ransom opportunities. The list of potential victims may include foreign diplomats; indeed, captured terrorists in March and September either admitted having planned diplomatic kidnappings or boasted that they would be freed as part of a ransom deal. However, the successful kidnapping of prominent Mexicans could lessen the likelihood that foreign diplomats will be targeted. The perpetrators of both deeds exhibited a very good understanding of the personal nature of Mexico's political system. victims were close friends of President Luis Echeverria, and this fact could easily have outweighed all other considerations for the government as to whether ransom should be paid. The people who are apparently in the greatest danger, therefore, are high Mexican officials who are personally friendly with Echeverria.

How will Echeverria react? Successful terrorist activity in general, and the kidnappings in particular, are extremely embarrassing to President Echeverria and to the government as a whole. There is evidence that Echeverria is taking a direct interest in security force operations. He cannot be pleased with the army's efforts to track down Genaro Vazquez Rojas and his National Revolutionary Civic Association (ACNR), the group responsible for the latest abduction; and in situations of extreme tension and pressure Echeverria tends to find scapegoats. For one reason

-3-

or another, Echeverria's first year in office has seen the resignations of a state governor, the Mayor of Mexico City, the Mexico City police chief, and the Attorney General. Since Defense Minister Cuenca Diaz did little to enhance his reputation by his recent public declaration that there are no guerrillas in Mexico, his days may be limited. Cuenca's replacement could be heralded as part of a new program of effective counter-guerrilla operation.

Possible change in Mexican policy toward kidnappers. The Mexican government takes a pragmatic rather than a doctrinaire approach to most problems. If a policy proves to be counterproductive it is usually altered. The payment of ransom will probably continue for a time, but further incidents will likely force a rethinking of this policy. While such a decision would be an agonizing one, as it may mean death for at least one kidnap victim, such a tragedy could help to marshal public opinion behind the government if it decided on a massive crackdown on dissenters. In comparison with most other Latin American countries, Mexico has good police and security forces. While many Mexicans are cynical about the "democratic" nature of their essentially one-party system of government, they are not generally disposed to turn against it in a violent way or to look with favor on groups resorting to such action. The problem of urban terrorism which is just emerging in Mexico is likely to be approached cautiously at first by the government and then, characteristically, with repression and violence when judged appropriate.

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Acting Director : RWRichardson

Analyst

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Velasquez versus Mendez Arceo

2. Mexican-Chinese Relations

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3. Meetings with Foreign Leaders

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More Government Resignations Report on June 10 Disturbances

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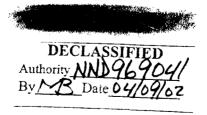
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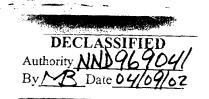
Mexico A-661 Page 2

INTERNAL

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- Echeverria's First Informe In keeping with a Constitutional requirement , President Luis ECHEVERRIA Alvarez delivered the annual "Informe," or state-of-thenation report, at the opening of Congress on September 1. It was his first and was given considerable advance publicity. The reading required nearly three hours and would have taken even longer if the President had not dropped numerous paragraphs from the prepared text. He was interrupted by applause more than eighty times. customary, the Informe was laden with statistics. our standpoint, the most interesting portions were a generally favorable treatment of US-Mexican relations, specific reference to the training of guerrillas in North Korea and the consequent expulsion last March of five diplomats (but without reference in the Informe to their Soviet nationality), and a firm denunciation of the violence connected with the June 10 student demonstration coupled with a promise of an intensified investigation and a report on the incident. Most press and public comment on the Informe was highly favorable, although there was some complaint that the statistics as usual were grossly misleading and bore no demonstrable relation to reality, and that there were more promises made or reiterated than there were achievements reported. (Mexico 5014)
- 2. <u>Independence Day Celebrations</u> Festivities including a long parade and a large rally before the presidential palace went off without incident on September 16 marking 161 years of independence amid an atmosphere of considerable uneasiness. Security precautions, including a nationwide military alert, were the most massive ever seen in Mexico. Various guerrillas groups had staged some spectacular and embarrassing bank holdups in the days just preceeding Independence Day but were either unwilling or unable to repeat these disruptions during the celebrations.

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المالية الساسات	GZ (GZ	n i	'''	covered. For a detailed discussion of the early-
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100	· . ' -	, -	图.	soon after the anniversary of his inauguration,
1 1/15	ri 14 d	· -	Δ.	President Luis ECHEVERRIA asked rhetorically, "What
1.		F 7-9,	1	is it, essentially, that the new government has done?"
10-6	1		<u> </u>	His response, he said, would be that his government
1-7	i di VigHiri i			"has tried to preserve liberties economic liberty
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· 1 -	, 	<u> </u>	P	religious liberty; liberty of expression." He
1 4	` <u> </u>	<u> </u>	1 '	continued: "We have chosen the road of liberty because
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, i,	áken:	r, _	1 1	In the remainder of this rather philosophical address,
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Another significant development along the same lines, although not yet officially announced, is that the percentage increase in legal minimum wages for the 1972-73 biennium will be substantially greater than in recent years. In the Federal District, for example, the minimum wage will probably be increased by 20 percent, as against an increase of 13 percent granted two years ago.

10. The Military Shortly after taking office, Echeverria publicly announced that the time had come for venerated "revolutionaries" to retire from positions of military leadership and make way for younger men. Despite this stated objective, he appointed General Cuenca Diaz and Admiral Bravo Carrera, both aged 69, as the oldest members of his otherwise generally youthful Cabinet. While retirements of elderly general officers have increased moderately in number during the intervening year, attrition in the upper ranks of the Army/Air Force occurred mostly in the normal manner: through death. (The tradition in the Navy has been to observe more strictly the legal retirement age of 60.)

The long-standing phenomenon of superannuation is probably only a secondary factor contributing to discontent within the Mexican military, evidence of which has appeared retently. However, the administration may believe that wholesale retirements would only exacerbate the leadership difficulties within a somewhat-demoralized military establishment.

In mid-1971 several reports and rumors of indiscipline and dissatisfaction came to the Embassy's attention. These and dissatisfaction came to the Embassy's attention. These ranged from a suspected mutiny in Chiapas which was quickly quelled, through a reported instance in which troops turned their backs' on Cuenca Diaz, to a group offer of resignation by a substantial number of Air Force pilots. While details have been hard to substantiate, it is evident that there was a rise in expressed discontent.

A further factor in Echeverria's evaluation and treatment of the military may well be the Army's performance in

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maintaining internal security. The unsuccessful effort to track down guerrillas operating in the State of Guerrero predates this administration, but during the past year the Army's efforts (Operation Teleraña) have been greater than they were previously, so the failure must be even more galling. On the other hand, the armed forces have continued to act effectively in the anti-drug campaign and have enlarged their already-extensive civic action program.

The Army recently announced that five new battalions would be formed to increase the effectiveness of these efforts. A substantial pay raise for both officers and enlisted personnel was enacted in mid-year, and the GOM has at least tentatively decided to purchase a squadron of F-5 fighters (20 aircraft). We see this last-mentioned prospective expenditure (which has only limited application to the maintenance of internal security), together with the pay raise and an unusually large 1971 promotion list, as parts of an attempt to overcome discontent and restore pride within the military establishment — which has suffered considerable opprobrium ever since Army troops were employed against student demonstrators in the 1968 riots. By the end of Echeverria's first year, this attempt seemed to have achieved some success.

This attention bestowed upon the military and the reports of discontent have combined to create some misgivings that the military may be seeking some more direct role in Mexican politics. Generally such misgivings are expressed in private conversations or, if aired publicly, appear in Ifar-left publications such as POR QUE? An exception, however, was an article in the November 3 issue of NOVEDADES. Citing Cuenca Diaz' statement the previous day that, "Our government is stronger than ever, and for that reason a coup d'état that would overthrow it is infeasible" (Embtel 6119 of November 3) the author characterized the statement as "a tacit admission of the /truth/ of information from intellectual circles that a group of counter-revolutionaries will undertake a coup to oust President Echeverria'..."

Despite these indications of unease, most observers agree that discontent within the military so far has stemmed

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largely from bread-and-butter issues. As already noted, the efforts made to solve these problems appear to have lessened the pressure.

The executive in November intro 11. "Democratic Openings" duced several constitutional amendments, all supposedly designed to "perfect" Mexican democracy. One lowers the minimum ages for members of Congress; another increases the population base for a seat in the Federal Chamber of Deputies, thus limiting somewhat the expansion that will follow from the 1970 census returns; and a third lowers the minimum requirement for a minority party's obtaining proportional-representation seats in the Chamber while simultaneously increasing the maximum number of such seats a party may obtain (Embtel 6295, November 11). All these amendments were approved by the Congress during December, and the GOM has announced it will submit amendments to existing legislation which will ease registration requirements for new political parties and provide all minority parties with additional facilities during campaign periods.

The GOM and the PRI naturally hailed these proposals as a major "democratic opening"; other quarters were not so sure, with the opposition <u>Partido Acción Nacional</u> (PAN) complaining that the changes did not go far enough and with elements on the left complaining that they constituted no real "opening" at all.

The PRI itself, in contrast, experienced only minor changes in its internal rules as the result of its Sixth Ordinary Assembly in March (A-197, May-14) and significant changes of personnel only in the Federal District, where a follower of Martinez Dominguez was displaced by an Echeverria man (see A-551, October 22).

The Baja California municipal elections of 1968 remain in Mexican political history as a major scandal; apparent PAN victories in Tijuana and perhaps in Mexicali were nullified by Echeverria as Secretary of Gobernación. Thus Baja's elections in 1971 -- including the only governship at stake during the year -- were a major test for the PRI and for Moya Palencia; we received reports indicating, in fact,

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Martinez Dominguez and the Federal District Police Chief resigned, officially in order to facilitate the investigation which Echeverria had ordered the Attorney General to make.

By July, however, Attorney General Sanchez Vargas announced that he had been unable to find any evidence of official complicity in the suppression of the demonstration Echeverria removed him, in August and in the Informe on September 1 promised that the investigation would be reintensified under the new Attorney General, Pedro OJEDA Paullada. Through the end of Echeverria s first year and down to the present, however, no report on the events of June 10 has been issued. There is reason to believe that any candid report would be highly embarrassing to GOM officials, present as well as past, and possibly including the President himself; yet the absence of any report has damaged Echeverria's credibility. This remains true despite the GOM's apparent attempt to divert attention from June 10 to a universally-popular campaign against the porras; the gangs which in recent years have terrorized a number of campuses (A-453, August 20).

13. Internal Security | Echeverria's first year was marked by a number of spectacular developments under this broadheading. "He began by releasing piece-meal some of the less doctrinaire participants in the 1968 student demonstrations (A-52, February 15). In March, the GOM announced the arrest of 20 members of the <u>Movimiento de Acción Revolucionaria</u> (MAR-Action) and charged that, apart from robberies already carried out, this group was plotting the overthrow of the government. Several of the MAR-Action members arrested had gone from studies at Patrice Lumumba University in Moscow to guerrilla training in North Korea, and Echeverria retaliated by expelling the Soviet charge and four other embassy officers, all known or suspected KGB agents (Embtel 1964 of April 8). As the arrests of a few other MAR-Action members followed (about 25 still remain at large), other guerrilla/terrorist groups began to surface or to increase the level of their activities.

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Mexico A-Page 24 676

Perhaps the most prominent of these has been the Asociación Civica Nacional Revolucionaria headed by former schoolteacher Genaro VAZQUEZ Rojas and operating principally in the State of Guerrero; it was probably responsible for two kidnappings in Guerrero in mid-March, may have shotdown the helicopter in which the State Governor was riding in April (resulting in his death), and on November 19 scored its biggest coup of the year by kidnapping Guerrero University Rector Jaime CASTREJON Diez. In return for his release (delayed until December 1, the anniversary of Echeverria's inauguration), the ACNR obtained a ransom of 2.5 million pesos (US\$200,000) and the release of eight of its members, who were flown to Cuba on November 28. Also included was Mario MENENDEZ Rodriguez, editor of the bitterly anti-government publication POR QUE? (As already noted, intensified Army operations against the ACNR during 1971 have been largely unsuccessful.)

Aside from MAR-Action, ACNR, and the previously-known Emilio Zapata Group in Guerrero, led by Lucio CABAÑAS Barrientos, we have become aware during the year of at least six other confirmed "revolutionary" groupings and two or three others which may exist in name only or whose ideological direction is doubtful. Some of these groupings have so far confined themselves largely to training, others, such as the Comandos Armados del Pueblo (CAP), have embarked upon criminal activities flave suffered some attrition. The combined membership of these organizations probably does not exceed a few hundred persons, but the rate at which they have come to light during the year, their geographic dispersion, the extent of their activities, and the evidence of coordination among some of them all suggest that they constitute more than a mere nuisance to the GOM.

Further complicating the internal security situation was a spate of robberies that peaked around the September 16 anniversary of the independence movement and caused the GOM to declare an unprecedented nation wide military alert for the occasion. Soon afterwards, on September 27, Julio HIRSCHFELD Almada, Director of Airports and Auxiliary Services, was kidnapped and released 60 hours later after the payment of a three million peso. (US\$240,000) ransom.

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Some of the robberies during this period were probably perpetrated by common criminals, and the political motivation of the Hirschfeld kidnapping remains doubtful (see A-568 of November 1), but these incidents led the GOM to try to improve coordination among its security agencies.

Just after the release of Castrejon on December 1, the political prisoner issue was revived when Pablo ALVARADO barrera, a follower of Vazquez Rojas, was killed in an alleged escape attempt — and under highly suspicious circumstances — at Lecumberri Prison in the capital (A-658, December 20). Apparently acting to defuse the issue, Echeverria soon afterwards ordered the release of the remaining 20 prisoners held for participation in the 1968 maining 20 prisoners held for participation in the 1968 riots (A-665, December 27).

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Mexico A- 676 Page 22

that his job was on the line. The PRI, however, nominated a popular candidate for governor who won handily and, we believe, quite legitimately, and the PRI swept all other offices at stake, although the PAN claimed that it had won two or more of the state deputy seats. Several other states held elections for state and municipal office during the year and some of the races generated customary protests from PAN or from the <u>Partido Popular Socialista</u>.

12. June 10 An unexpected and unpleasant crisis for the new administration was the dispute over the governance of the University of Nuevo Leon, which simmered along over the spring and led ultimately to an Echeverría decision essentially favoring the students in their autonomy demands and to the resignation of the State Governor.

Despite the evidently satisfactory resolution of the dispute in Monterrey, students in Mexico City went ahead on June 10 with a planned sympathy demonstration (by then broadened to include other demands). The unarmed demonstrators were set upon by an organized paramilitary force, the so-called halcones (falcons), many of them on the Federal District payroll, who were apparently ordered into action by Federal District Regent Martinez Dominguez. Uniformed Federal District police stood by and did nothing. One foreign correspondent was briefly abducted, several were injured, and many saw the halcones in action, factors which assured that the incident would be widely reported outside of Mexico and that it could therefore hardly be minimized domestically.

Many aspects of the incident are obscure or controversial or both and will undoubtedly remain so. Among them are the actual number of casualties, which by some estimates exceeded 100 persons killed or "vanished"; whether Echeverria personally knew of or approved the employment of the <a href="https://linear.org/hallow/hall

Echeverria in any event moved rapidly to make amends and to indicate his condemnation of the event. On June 12

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Martinez Dominguez and the Federal District Police Chief resigned, officially in order to facilitate the investigation which Echeverria had ordered the Attorney General to make.

By July, however, Attorney General Sanchez Vargas announced that he had been unable to find any evidence of official complicity in the suppression of the demonstration. Echeverria removed him in August and in the Informe on September 1 promised that the investigation would be reintensified under the new Attorney General, Pedro OJEDA Through the end of Echeverria's first year and down to the present, however, no report on the events of June 10 has been issued. There is reason to believe that any candid report would be highly embarrassing to GOM officials, present as well as past, and possibly including the President himself; yet the absence of any report has damaged Echeverria's credibility. This remains true despite the GOM's apparent attempt to divert attention from June 10 to a universally-popular campaign against the porras, the gangs which in recent years have terrorized a number of campuses (A-453, August 20).

Internal Security Echeverria's first year was marked by a number of spectacular developments under this broad heading. He began by releasing piece-meal some of the less doctrinaire participants in the 1968 student demonstrations (A-52, February 15). In March, the GOM announced the arrest of 20 members of the Movimiento de Acción Revolucionaria (MAR-Action) and charged that, apart from robberies already carried out, this group was plotting the overthrow of the government. Several of the MAR-Action members arrested had gone from studies at Patrice Lumumba University in Moscow to guerrilla training in North Korea, and Echeverria retaliated by expelling the Soviet charge and four other embassy officers, all known or suspected KGB agents (Embtel 1964 of April 8). As the arrests of a few other MAR-Action members followed (about 25 still remain at large), other querrilla/terrorist groups began to surface or to increase the level of their activities.

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U.S. INTEREST: POLITICAL DEVELOPMENT OF MEXICO

PROJECTED CONDITIONS IN FY 73 BY ENVIRONMENTAL INDICATORS
(July 72 to June 73)

PROJECTED CONDITIONS IN FY 74
BY ENVIRONMENTAL INDICATORS
(July 73 to June 74)

GROWTH OF DEMOCRATIC INSTITUTIONS

Development and Treatment of Opposition Parties:

1. GOM will implement promised changes in political party and electoral legislation, particularly the lowering of requirements for registration of new parties. Aims are (a) to channel greater share of dissenting opinion, both right and left, into legally-authorized and more controllable forms; and (b) to enhance image of Mexican democracy. Registered opposition parties will be allowed greater access to media and other facilities during campaign for new Chamber of Deputies.

2. Government encouragement of additional party as evidence of an opening to the left will continue, probably to the point of this party's qualifying for registration and thus entering the Deputy elections if it can overcome organizational problems This party will be permitted only to the extent it poses no threat, and for that reason party will be unlikely to attract much leftist support.

<u>Development and Treatment of Opposition</u> <u>Parties:</u>

- 1. PRI may allow handful of opposition candidates to win direct election to Chamber of Deputies and in any case maintain opposition presence through operation of diputado de partido system, from which newly registered parties may also benefit. However, representation will not be extended to any party which PRI cannot control or count on to behave respectably and not to a point where the PRI's dominance of the Chamber is reduced significantly.
- 2. Party of the left, if it does compete, is unlikely to do well in Deputy elections and unlikely to reintegrate the disaffected left which the government hopes to attract.

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ANTICIPATED CHALLENGES OR OPPORTUNITIES	COV LEVE	ICERN	EXPLANATION OF ASSIGNED LEVEL OF CONCERN			
FY 73 FY 74	FY73	FY74				
	L	·L	The overall low level of concern for the Political Development of Mexico is based on the lack of any direct or immediate threat to U.S. interests, the lack of			
			or immediate threat to U.S. interests, the lack of opportunity to affect internal political developments of Mexico, and the inadvisability of unilateral U.S. action within basic U.S. policy of non-intervention. In those few areas where the USG is asked to provide technical or other assistance, the Embassy is inclined to respond favorably.			
			U.S. concern with Mexican stability and internal security is obviously high given Mexico's location and many common interests. However, the threat to Mexican internal security at this stage appears quite poorly equipped, largely independent of foreign influence or support, and unlikely to pose a serious threat in FY 73 or FY 74. If guerrilla activity or popular dissatisfaction with the government were to increase considerably, U.S. concern would also be heightened.			
		-	ω			
			<u>SECRET</u>			
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PROJECTED CONDITIONS IN FY 73 BY ENVIRONMENTAL INDICATORS (July 72 to June 73)

PROJECTED CONDITIONS IN FY 74 BY ENVIRONMENTAL INDICATORS (July 73 to June 74)

Existence of Free Elections:

PRI will continue to dominate state and municipal elections during this period, resorting to manipulation when it believes this is necessary. PAN or PPS will be occasionally allowed to win a municipal election but not a governorship or significant portion of the seats in a state legislature.

Level of Political Freedoms:

Press, speech, and campaigning are likely to remain relatively free within limits, which include abstinence from personal attacks on President, unless internal security situation worsens considerably at which point GOM might consider further controls.

WORKERS

Trade Union Movement: There may be some changes in both the structure and leadership of the trade union movement. The Congress of Labor may be strengthened and assume a more important role as spokesman for organized labor, thus diminishing the political power of the Mexican Labor Confederation and its long-time Secretary General, Fidel Velazquez. An effort may also be made to give the labor movement a new image by removing a number of aged and/or corrupt leaders and encouraging a

Existence of Free Elections:

Federal Deputy elections are likely to be somewhat more free than in past due to Presidential interest in demonstrating democratic opening, but the PRI will not hesitate to reverse any election results it considers important or embarrassing. Electoral reforms will allow participation of younger candidates.

Level of Political Freedoms:

Unchanged.

Trade Union Movement: Continuation and consolidation of same process. In 1974, CTM leader Velazquez will finish his term of office and retire, unless he has already been forced out by reason of health or political expediency.

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ANTICIPATED CHALLENGES OR OPPORTUNITIES			The state of the s				
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Authority 10767041		
Political Development of Mexico BywwnARA Date 4/30/62		
COURSE OF ACTION BY GOAL & OBJECTIVE	T Y p e	A Estimated FY 73 Resources Y (000)
A. Political development in Mexico in accordance with Mexican capabilities and wishes		
Al. Strengthen democratic institutions.		
1-1. Provide two short-term training grants to the GOM for employment servic training.	e 0	S 7.5 G
1-2. Provide technical assistance through informal consultations to the Mexi Social Security System.	can 0	H
A2. Preserve the stability of the Mexican political system.		
2-1. Continue close cooperation in the security area.	0	S/D/L
2-2. Provide, if requested by the highest levels of the GOM, normally at its expense, law enforcement and public safety training for legitimate Mexi security forces in the most inconspicuous manner possible.		s/d/l
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TELEGRAM

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INFO OCT-01 CIAE-00 DODE-00 PM-06 H-02 INR-06 L-03 NSAE-00

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AMCONSUL TIJUANA UNN

C O N F I D E N T I A L SECTION ! OF 2 MEXICO 4341

SUBJ: INTERNAL SECURITY: ARREST OF GUERRERO AMBUSH SUSPECTS
AND OTHER DEVELOPMENTS
Pol 23-9 Mex

REF: MEXICO 3462

IN SUMMARY: MEXICAN ARMY HAS CAPTURED AND AT LENGTH HANDED OVER TO JUDICIAL AUTHORITIES A NUMBER OF SUSPECTS IN JUNE 25 AMBUSH OF ARMY TRUCK IN GUERRERC. SOME OF SUSPECTS EVIDENTLY LINKED TO LUCIO CABANAS GUERRILLA ORGANIZATION BUT APPEAR TO BE IOW-LEVEL TYPES. MEANWHILE, LAST TEN DAYS OF JULY SAW VARIETY OF OTHER VIOLENT INCIDENTS APPARENTLY UNRELATED TO FOREGOING AND TO EACH OTHER. PAN ATTEMPT TO BLAME FEDERAL GOVT FOR CLIMATE OF VIOLENCE HAS SET OFF TYPICAL ROUND OF PARTISAN NAME-CALLING. END SUMMARY.

(2)

2. AS REPORTED REFTEL, MEXICAN ARMY TRUCK WAS AMBUSHED IN RUGGED AREA OF GUERRERO STATE JUNE 25 WITH TEN OF TWELVE ARMY PERSONNEL ABOARD KILLED. IMMEDIATE SPECULATION WAS THAT

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FORM D5.1652



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AMBUSH STAGED BY GUERRILLA GROUP KNOWN AS "PARTY OF THE POOR" UNDER COMMAND OF LUCIO CABANAS BARRIENTOS. AUTHORSHIP HAS SINCE BEEN AMPLY CONFIRMED BY VARIETY OF SOURCES, INCLUDING CABANAS HIMSELF IN STATEMENT PUBLISHED IN FAR-LEFT WEEKLY "POR GUE?" (WHICH EDITORIALLY CALLED AMRUSH BIGGEST GUERRILLA ACHIEVEMENT IN "NEW ERA" SINCE DEATH OF GENARO VAZQUEZ ROJAS EARLY THIS

3. FEDERAL AND STATE OFFICIALS, CIVIL AND MILITARY, HAVE GENERALLY STUCK TO ESTABLISHED GOM POSITION THAT AMBUSH WAS NOT POLITICAL IN MOTIVATION SINCE MEXICO HAS ONLY BANDITS, NOT GUERRILLAS. MEANWHILE, HOWEVER, GOM HAS SHOWN IT KNOWS WHERE AND FOR WHOM TO LOOK, BY CONTINUING EXTENSIVE MILITARY RELATIVES FOR QUESTIONING.

4. WITH PASSAGE OF TIME AND ABSENCE OF DEVELOPMENTS, STORY HAD VIRTUALLY DISAPPEARED FROM LOCAL PRESS UNTIL AUG !, WHEN MOST PAPERS REPORTED HANDING OVER TO JUDICIAL AUTHORITIES IN GUERRERO OF ABOUT 20 SUSPECTS PICKED UP EARLY JULY BY ARMY OR OTHER AGENCIES IN ATOYAC DE ALVAREZ REGION OF APPEARANCES BY SEVERAL OF SUSPECTS, MAINLY ILLITERATE CAMPESINOS IN LATE TEENS OR 20'S. SOME ADMITTED MEMBERSHIP IN "PARTY OF POOR", BUT DENIED KNOWING CABANAS PERSONALLY. ONE, HOWEVER, CLAIMED THAT HE HAD BEEN PRESSED INTO MEMBERSHIP BY CABANAS AND OTHERS. AT LEAST TWO ADMITTED BEING PRESENT AT SCENE OF AMBUSH BUT CLAIMED TO HAVE FIRED INTO AIR RATHER THAN AT APMY TRUCK. SOME SUSPECTS WHEN APPEARING BEFORE JUDGE EXTRACTED BY MEANS OF TORTUDE.

5. WHOLE PICTURE THUS CONFUSED AS RESULT OF CONTRADICTORY STATEMENTS, REPUDIATED CONFESSIONS, ETC. JUDGING FROM LOW EDUCATIONAL LEVEL OF SUSPECTS SO FAR BROUGHT INTO COURT AND APPARENTLY RECENT AFFILIATION OF SEVERAL OF THEM WITH CABANAS GROUP, HOWEVER, WE RELIEVE THEY ARE OF ONLY MARGINAL IMPORTANCE IN HIS ORGANIZATION. ALSO, THERE IS GOOD REASON TO BELIEVE THEY REPRESENT ONLY FRACTION OF THOSE ACTUALLY DETAINED IN GUERRERO. IMEXICO CITY DAILY EL UNIVERSAL ALLEGES THERE IS "GREAT ALARM" AMONG CAMPESINGS IN ATOYAC AREA, WHO RISK BEING "DETAINED AND SUPJECTED TO TORTURE" IF THEY GO

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OUT TO WORK THEIR FIELDS, AND "DOZENS" HAVE THEREFORE LEFT FOR ACAPULCO "IN SEARCH OF WORK AND PROTECTION".)

6. OTHERWISE, LATE JULY SAW UNUSUAL NUMBEROF PROMINENT KILLINGS, NONE OF THEM SO FAR CLARIFIED, WHICH APPEAR UNRELATED TO GUERRERO AMBUSH OR TO ONE ANOTHER. PRINCIPAL ONES ARE AS FOLLOWS:

7. NIGHT OF JULY 20-21, ARCHITECT JOEL ARRIAGA NAVARRO,
HEAD OF A PREPARATORY SCHOOL IN PUEBLA, WAS SHOT AND KILLED
BY STILL-UNIDENTIFIED GUNMEN. ARRIAGA REPORTEDLY STUDIED
AT PATRICE LUMUMBA UNIV IN MOSCOW 1962-63 AND WAS ACTIVE
MEMBER MEXICAN COMMUNIST PARTY. IMPRISONED FOR ROLE IN
MEXIGE STUDENT DEMONSTRATIONS, HE WAS RELEASED NOVEMBER 1971
[SEE A-658/NDEC 15], REPORTEDLY AT INSTANCE LEFTISTS WHO
PRESENTLY CONTROL UNIV OF PUEBLA, AND HIS DEATH BELIEVED
RELATED TO LONG-TIME LEFT-RIGHT ANTAGONISMS IN PUEBLA WHICH
(SEE A-143, MARCH 291. DESPITE PRESENCE OF FEDERAL INVESTIGATING
RODRIGUEZ WHICH SENT IN AT REQUEST OF STATE AUTHORITIES, AND
REPORTEDLY WITH PRESIDENTIAL ORDERS NOT TO RETURN UNTIL CASE
OF THEORIES FLOURISHING, INCLUDING ONE THAT ARRIAGA KILLED
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FORM DS-1652 FORM DS-1-52



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DEPARTMENT PASS DIA FOR AA=2 AND DI=5 HERMENEGILDO CUENCA DIAZ
SUBJECT: CHAMBER OF DEPUTIES DECIDODEFENSE SECTION -

1. SUMMARY: MEXICAN CHAMBER OF DEPUTIES TURNED DOWN SEPTEMBER 29 REQUEST, SPONSORED BY OPPOSITION PAN PARTY. TO CALL DEFENSE SECRETARY CUENCA DIAZ TO APPEAR BEFORE BODY. PAN MOTION MADE CLEAR THAT PARTY'S DEPUTIES INTENDED TO QUESTION CUENCA DIAZ ABOUT INTERNAL SECURITY SITUATION. PRI SPEAKER, DEPUTY CUAUHTEMOC SANTA ANA, CHARGED THAT PAN TRYING TO TURN CHAMBER INTO INQUISITIONAL BODY. DURING DEBATE, PAN DEPUTY BERNARDO BATIZ VAZQUEZ QUESTIONED WHETHER OR NOT TOUTED "DEMOCRATIC OPENING," SUPPOSEDLY EPITOMIZED BY RECENT HIGHLY PUBLICIZED APPEARANCES BEFORE CHAMBER OF OTHER CABINET MEMBERS, IS REAL! QUESTION ALMOST RHETORICAL; PAN MOTION EVIDENTLY WAS NO SURPRISE TO PRI MEMBERS, AND QUICK, NEGATIVE RESPONSE PROBABLY HAD BEEN WORKED OUT IN ADVANCE AT LEAST AS ADMINISTRATION CONTINGENCY. END SUMMARY.

2. IN WHAT MUST HAVE BEEN ACRIMONIOUS EXCHANGE, "MAJORITY" OF CHAMBER OF DEPUTIES TURNED DOWN IN VOICE VOTE PAN+ SPONSORED MOTION TO FALL DEFENSE SECRETARY CUENCA DIAZ TO APPEAR BEFORE BODY . ALL PAN DEPUTIES (20) SPONSORED MOVE . WE PRESUME THAT OVERWHELMING PRI MAJORITY (178) VOTED AGAINST.



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3. ACCORDING TO PRESS ACCOUNTS, PAN MOTION, INTRODUCED BY DEPUTY HIRAM ESCUDERO, WAS BASED ON DESIRE TO "LEARN REAL DIMENSIONS OF DIVERSE MANIFESTATIONS OF PUBLIC DISQUIET EVIDENCED BY ACTS OF VIOLENCE IN SOME ENTITIES OF THE REPUBLIC..." PAN INTEREST ALSO EXTENDED TO DISCUSSION OF FEDERAL FIREARMS LAW LEMBASSY A -55, JAN. 28 1972), MILIARY EFFORTS IN ANTI-MARCOTICS CAMPAIGNS, AND DESIRABILITY OF AMENDING CONSCRIPTION LAW.

4. IN HISTRESPONSE, DEPUTY CUMUNTEMOC SANTA ANA TERMED PAN MOVE ONE OF "BAD FAITH" OUT OF KEEPING WITH INVITATIONS EXTENDED TO OTHER CABINET MEMBERS. HE PERCEIVED INTENT TO POSE "QUESTIONS WHICH SURELY WOULD BE CHARGED WITH DECEIT AIMED AT PRESENTING TO PUBLIC A MEXICAN ARMY WITHOUT PRESTIGE AND AT SERVICE:

OF INTERESTS CONTRARY TO THOSE OF MEXICAN PEOPLE...

WE DON'T CONFUSE DEMOCRACY WITH ANARCHY, NOR DO WE CONFUSE APPEARANCES OF CABINET MEMBERS WITH INQUISITION SOUGHT HERE BY DEPUTIES OF RIGHTIST PARTY ... THOSE WHO WISH TO FISH IN TROUBLED WATERS, AMONG THEM THOSE OF THE RIGHT WHO WOULD BENEFIT FROM ITS EXISTENCE, SPEAK OF AND SUSTAIN INSTITUTIONALIZED VIOLENCE ..."

IN ACID REBUTTAL, DEPUTY BERNARDO BATIZ VAZAUEZ STATED "WE THINK THAT PROBLEMS CONFRONTING GOVERNMENT AND THOSE PROBLEMS FACED BY MEXICAN ARMY ARE PROBLEMS OF ALL OF US AND THAT PEOPLE HAVE RIGHT TO BE INFORMED. WE KNOW THAT WHEN A MEXICAN SOLDIER DIES IN A GUERRERO AMBUSH. IT IS A MEXICAN WHO IS BEING SACRIFICED AND WE WANT TO HAVE ALL INFORMATION WHICH PUBLIC OPINION REQUIRES ... I WONDER ABOUT DEMOCRATIC OPENING. IF IT IS SIMPLY MATTER OF FORM IN WHICH ONE PART OF CONGRESS CALLS PUBLIC OFFICIALS OF ITS CHOOSING AND REFUSES POSSIBILITY THAT OTHERS COME TO ANSWER OUR QUESTIONS. IF SUCH IS CASE, WE THINK THERE IS NO SUCH OPENING, THAT THERE IS NO REAL REASON (FOR REFUSAL) BUT SIMPLY A PRETEXT TO DENY APPEARANCE OF A PUBLIC OFFICIAL..."

6. FINAL, RATHER LAME, PRI ARGUMENTS WERE! THAT OTHER CABINET OFFICERS WHO HAD APPEARED BEFORE CHAMBER (FOREIGN SECRETARY RABASA, HYDRAULIC RESOURCES SECRETARY ROVIROSA WADE, FINANCE MINISTER MARGAIN, AMONG OTHERS) HAD DONE SO "BECAUSE THEY WERE DEALING WITH SUBJECTS OF EVIDENT SOCIAL INTEREST ... SUCH MOTIVATIONS DO NOT EXIST (IN CASE OF CUENCA DIAZ), NOR

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ARE THERE PREVIOUS DECISIONS WITH SOCIAL APPLICATION WHICH WOULD BE OF INTEREST TO US SINCE ALL MATERIAL IN THIS RESPECT IS CONTAINED IN REPORT WHICH HE (DEFSEC) HAS SUBMITTED TO THIS CONGRESS..."

7. COMMENT: PRI REACTION. WHILE PERHAPS PREDICTABLE GIVEN COM POLICY OF PLAYING DOWN GUERRERO INCIDENTS AND OTHER QUESTIONS DEALING WITH INTERNAL SECURITY, WAS PARTICULARLY HEAVY-HANDED. POLICY OF CABINET APPEARANCES BEFORE CONGRESS IS POINTED TO AS "NEW INNOVATION" AND A CONCRETE INDICATION OF ECHEVERRIA ADMINISTRATION'S INTEREST IN UPGRADING ROLE OF LEGISLATURE WHILE CONCOMITANTLY SERVING AS EVIDENCE OF HERALDED "DEMOCRATIC OPENING." NONETHELESS, PROVISION FOR SUCH APPEARANCES CONTAINED IN ARTICLE 93 OF CONSTITUTION SO THAT PAN SEEMS TO HAVE HAD SOUND PARLIAMENTARY GROUNDS ON WHICH TO REQUEST APPEARANCE. BY REBUFFING ATTEMPT TO HAVE CUENCA DIAZ APPEAR BEFORE INQUISITIVE AND PERHAPS SKEPTICAL OPPOSITION POLITICIANS, GOM SIDESTEPPED POTENTIALLY EMBARR-ASSING PUBLIC AIRING OF THESE PROBLEMS. HOWEVER, THE GOM THEREBY INCURRED RISK THAT SOME MIGHT INTERPRET THE DENIAL AS AN INDICATION THAT ADMINISTRATION IS TRYING TO COVER UP SITUATION WHICH IS MORE SERIOUS THAN PUBLIC HAS BEEN LED TO BELIEVE.

GDS. MCBRIDE

CONFIDENTIAL

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INTERIOR SE RESTREBIERA SENICE ADRIG DESENOCES

November 29, 1972

MEXICO: TERRORISM STILL ON THE RISE

The dimensions and seriousness of the terrorist guerrilla problem in Mexico are only now becoming evident. While the security forces have improved their counterinsurgency capabilities and achieved some spectacular successes, terrorist activity has probably not yet peaked (as it did earlier elsewhere in the hemisphere), and it may not begin to decline in intensity for some time. Meanwhile, as has already been amply demonstrated, individual incidents will continue to be extremely embarrassing to the government, but will not seriously threaten its survival.

The guerrilla groups. Violence is hardly uncommon in Mexico, but terrorist groups have not been prevalent there since the late 1920s. In March 1971, however, the government discovered a group which had received training in North Korea. There have since been a series of incidents including bombings, kidnappings, bank robberies, and two ambushes of army convoys, all attributed to guerrillas.



A. Approximately 15 guerrilla groups exist in Mexico, located in many different areas. The most important single leader is Lucio Cabanas

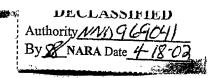
This report was produced by the Bureau of Intelligence and Research. Aside from normal substantive exchange with other agencies at the working level, it has not been coordinated elsewhere.

EXEMPT FROM GENERAL DECLASSIFICATION SCHEDULE OF EXECUTIVE ORDER 11652 EXEMPTION CATEGORY 5B (2)

- 2 -

Barrientos, who heads a small group active in the state of Guerrero (see map). Cabanas is also loosely associated with as many **as** ten other groups located in Mexico City, Aguascalientes, Chihuahua, Monterrey, and Oaxaca. The Cabanas group has engaged in some of the most audacious recent activity: in two separate attacks on army convoys near Atoyac it killed at least 26 soldiers and captured over 50 weapons.

- B. A group known as Los Agachados (which can be translated to mean the oppressed) is unusual in that it appears to be made up largely of peasants. Reportedly this group has representatives in almost all the states of Mexico, but its total membership is not believed to exceed 100. This group has not yet surfaced in any operations, although it may be responsible for some of the bombings in Mexico City and Oaxaca during the national holidays last September.
- C. The National Civic Revolutionary Association (ACNR), a group which operates in Guerrero along with that of Lucio Cabanas, achieved prominence under the leadership of Genaro Vazquez Rojas--Mexico's number-one guerrilla. Vazquez, who was killed in February 1972, had considerable charisma and something of a Robin Hood reputation. His death and the subsequent capture of other top members of the ACNR greatly reduced the effectiveness of the group. Three of four other groups operating in Mexico City have apparent connections with the ACNR.
- D. The Revolutionary Action Movement (MAR-Action) gained notoriety in March 1971 when the Mexican Government announced its existence, claiming that its members had been trained in North Korea. About 50 members apparently went to North Korea, but not all MAR members have received this



- 3 -

guerrilla training. The government expelled five Soviet diplomats in retaliation for the implied complicity of the USSR because of its failure to prevent Mexicans studying in Moscow from forming this group and traveling to North Korea with false travel documents. The MAR is linked to at least one other group, and it probably still has over 50 active members at large. Some 30 others have been apprehended.

Despite the confusing welter of organizations, the total number of guerrillas probably does not exceed 500, including about 130 presently in jail and 21 who escaped to Cuba. Most terrorists are either students or drop-outs (occasionally joined by teachers and professors), although two groups operating in Guerrero and the <u>Agachados</u> are largely peasant organizations. All groups are Marxist-oriented, but ideology appears to be more of an excuse than a reason for their actions.

The government's response. President Echeverria is aware of the political/economic and social inequities imposed by Mexico's closed economic system and its one-party political power monopoly. He has instituted changes in tax, labor, and social security laws and has taken pains to create the impression that vigorous steps are underway to improve the lot of the lower income sectors. However, few tangible benefits have filtered down to the masses, and even these are largely cancelled out by the country's rapid population growth.

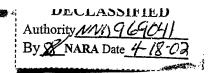
In dealing with the terrorist problem, the government has depended heavily on the security forces, which are reasonably competent and have

- 4 -

been increasingly effective. A major new technique is the approach used in interrogating captured terrorists. Whereas previously the police attempted to laboriously obtain complete statements from every person arrested, they now concentrate on simply getting more names and addresses quickly enough so that the information can be used to make more arrests.

Prospects. Mexico has been through a rather eventful 20 months (see the appended listing of terrorist incidents). The guerrillas are still a serious problem, particularly in the mountainous areas of Guerrero where economic and social conditions are bad and where the guerrilla groups enjoy fairly broad support, or at least the tolerance, of the general population. The terrain there inhibits the maneuvers of the security forces, and on the most recent occasions the guerrillas have been able to engage army units at times and places of their choosing, inflicting heavy casualties. The army has responsed with sweeping roundups on a fairly indiscriminate basis, and recently there have been reports in the Mexican press that prisoners were interrogated under torture. This suggests that the situation in Guerrero has worsened and that the problem is likely to plague the government for many months.

The guerrillas in the urban areas will probably not prove to be as difficult a problem for the government. Violence in the cities is more apt to involve innocent bystanders than that in rural areas, thus serving to isolate the terrorists from the society they claim to be helping. Moreover, the security forces have at times been able to round up large numbers of terrorists because the groups failed to maintain good internal security by adequately compartmentalizing members in independent cells.



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Experience elsewhere in the hemisphere suggests that the guerrilla/
terrorist problem has probably peaked in most other countries, and that
the various groups will become increasingly isolated as the security forces
become more proficient in counterinsurgency operations. Mexico may fit
into this general pattern, but appears to be in an earlier phase of the
cycle. Since some groups have engaged in very little activity and
others have not yet initiated operations, terrorist activity in Mexico
has probably not reached its zenith. The downward phase, therefore, may
not become evident for some time.

INR/Africa and the American Republics

Director : GHSumm Analyst : PRKeller

Extension : 22557
Drafting date: 11/22/72

Released by : David E. Mark por Zuck

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PARTIAL CHRONICLE OF EVENTS

November 18, 1972	Defense Minister Cuenca Diaz reportedly declared that the Mexican Government was willing to negotiate with Lucio Cabanas.
November 8, 1972	An aircraft was hijacked in Monterrey by four members of a group calling itself the Combat Group of the Armed Communist League. The hijackers demanded 4 million pesos ransom, several weapons, and the release of seven terrorist prisoners. The hijackers thereupon directed the plane to Cuba.
September 23, 1972	16 soldiers were killed in a guerrilla ambush of an army convoy in Guerrero.
September 14, 1972	Bombs exploded in Mexico City, Oaxaca City, and Morelia. Several US companies were included in the targets.
August 1, 1972	20 persons rounded up after the June 25 ambush were handed over to the judicial authorities.
July 18, 1972	Six men of the Lucio Cabanas group were arrested in Guerrero.
June 25, 1972	Ten soldiers were killed and two wounded in an attack on an army truck in Guerrero.
June 11, 1972	Explosions occurred at four sites in Mexico City.
April 18, 1972	Three members of the MAR guerrilla group were arrested.
March 14, 1972	The son of a wealthy coffee grower was kidnapped in Guerrero. The action was attributed to Cabanas' group. The victim was released in June after payment of one million pesos ransom.
February 2	Guerrilla leader Genaro Vazquez Rojas was killed in an automobile accident.
January 29, 1972	Police announced the arrest of seven persons

This of In norm agen been Police announced the arrest of seven persons involved in the kidnapping of Airports Director Julio Hirschfeld and recovery of about two-thirds of the ransom money. The persons captured were reported to be members of the Zapatista Urban Front.

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	January 25-February 4	Mexican security officials arrested a large number of guerrilla group members, including ten members of Vazquez Rojas' group (ACNR) and 69 persons linked to Lucio Cabanas.
	January 14, 1972	Guerrillas staged a double bank robbery in Monterrey. Four guerrillas were captured and some of the money recovered.
	January 7, 1972	The Director of the Acapulco preparatory school, Jaime Faril, was kidnapped and three million pesos demanded. Security forces freed Faril on January 13 and arrested six or more persons; the ransom was not paid.
	December 24, 1971	Mazatlan millionaire Carlos J. Felton was kidnapped. He was released on January 4 after payment of five million pesos ransom.
	November 19, 1971	The Rector of the University of Guerrero, Dr. Jaime Castrejon Diez, was kidnapped by the Vazquez Rojas' ACNR group. Ransom demands included release of nine political prisoners to be flown to Cuba, which was met by the Mexican Government on November 27. In addition, the family paid 2.5 million pesos; Castrejon was released on December 1.
	November 18, 1971	Four persons were arrested in Acapulco who admitted being members of Cabanas' group.
	October 22, 1971	Attorney General's office announced the arrest of ten guerrillas.
•	September 27, 1971	Airports Director Julio Hirschfeld was kidnapped. He was released on September 29 after three million pesos ransom paid.
	September 22, 1971	Five members of a guerrilla group known as the Armed Commandos of the People (CAP) were arrested.
	September 17, 1971	Police announced the arrest of nine persons, some linked to the CAP group.
	September 10, 1971	Two members of the Revolutionary Action Movement (MAR) were arrested.
	July 21, 1971	Police reported the capture of a house with documents, equipment, and arms of a group known as the Forces of National Liberation in Monterrey.

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July 20, 1971

Seven guerrillas were arrested in Mexico City.

June 5, 1971

Police arrested three additional members of the

MAR.

April 16, 1971

The Army clashed with guerrillas near Guaymas, Sonora, following their robbery of a bank. Three

were arrested.

March 16, 1971

A group known as the Revolutionary Action Movement (MAR), many of whom received guerrilla training in North Korea, surfaced with government announcement of the arrest of 19 of its members. Five Soviet diplomats were subsequently expelled for

complicity in the MAR plot.

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7 % 2 %	C. International Economic Policies	
	IV. ASSESSMENT.	50
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Drafted by: POL: R	WTeare: kmd (Contributors, p.52) Contents Add desification Approv	ved by:
Clearances: (In Draft)	USIS-Mr. Higgins ECON-Mr. Amott P/R-M	r. Horton
,	DAO-Gen. Munson COM-Mr. Jones AG/A-I	Mr. Bellingham

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The Civic Contribution. The new Organic Law for the Army and Air Force, enacted in late 1971, made assistance to the national populace a specific Defense mission. foreshadowed an increase in 1972 in an already-substantial Defense effort devoted to civic action and the antinarcotics campaign. Customary civic action activities -inoculations, instruction in sanitation, school construction, veterinary assistance etc. -- were continued, but on an enlarged scale. Distribution of potable water to remote villages was undertaken as a substantial activity in arid regions, using 110 newly-acquired tank trucks (probably the Army's largest single equipment purchase in 1972). The National Military Service (conscript) brigades were increasingly employed in such activities as the national forestation/reforestation campaign and pick-and-shovel repair work on local roads, and their basic military training was reduced correspondingly. The Defense effort in the antinarcoticsprogram was intensified and efficiency was improved through better planning and coordination. While military performance in drug crop destruction remained somewhat uneven from one military zone to another, DAO field visits verified that in principal drug crop areas the military effort was extensive and generally effective within the resource limitations. In this latter regard, the principal deficiencies were availability of helicopter reconnaissance and the restricted ground mobility of Army units, which often had to move long distances to reach important crop areas and then search them on foot.

Military Role in Internal Security. The death of Genaro VAZQUEZ Rojas in a vehicle accident in February 1972 (see Section H, below) created momentary hope that a marked reduction in bank robberies, kidnappings, etc., would follow, particularly in the state of Guerrero. This proved not to be the case. Instead, a new aspect appeared which particularly troubled the Armed Forces, the ambush of military units. Two such cases occurred during the year in Guerrero, ten soldiers being killed on June 25 and another 18 on August 23. These ambushes triggered an intense Army hunt for the band headed by Lucio CABAÑAS Barrientos, who quickly replaced Vázquez as Mexico's best-known guerrilla. The Army reinforced its units in Guerrero, shuffled senior commanders there, and utilized as many as 2,500 personnel in the search, including

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elements of at least six different infantry battalions. So-called "social action" brigades, specially structured with medical, veterinarian, engineer and other special personnel, were repeatedly dispatched to the state. The Army apprehended numerous suspects, several of whom, after interrogation, were turned over to civil authorities for prosecution. However, Cabañas remained at large. The Defense Secretary and other public officials continued to refer to him publicly as "an ordinary bandit," refusing to concede him "guerrilla" stature. But Cuenca Diaz also from time to time referred to the possibility of giving Cabañas amnesty if he would lay down his arms, which suggested the extent to which he remained an irritant to the Army and the government.

Foreign Military Relations. The Defense Secretariat, and particularly the Secretary himself, generally accorded U.S. military representatives (and those of other countries as well) rather cool, formal and cautious treatment. Cuenca Dfaz seemed to have little concern for foreign friendships and generally avoided actions suggestive of a special military relationship with any country. Thus, when the U.S. enacted legislation requiring recipient countries to make a ten percent deposit for grant military assistance received, the Secretary of Defense recommended that, while the deposit itself was not objectionable, the GOM should not participate in the exchange of notes required to formalize the obligation. He reasoned that Mexican national policy precluded acceptance of grant assistance from any other government and that the exchange of notes would constitute official GOM acknowledgement that Mexico was receiving grant U.S. military training. (Such training had previously been disguised locally as "becas," or scholarships.) While the Mexican Government nevertheless concluded the exchange of notes, the Defense Secretariat as of this writing has not answered repeated DAO inquiries as to whether it plans to resume grant training, a posture of inaction which suggests that it may not in fact participate.

Throughout the latter half of 1971 the Defense Secretariat regularly denied requests by foreign military attachés to visit Mexican Army units. Repeated requests for such visits by USDAO and personal complaint by the Defense Attaché to

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H. <u>Internal Security</u>

A year ago urban and rural guerrilla activity in Mexico was clearly on the rise. In 1971 the country witnessed several spectacular kidnappings and bank robberies that went unsolved for several months.

At the outset of 1972 conditions seemed to improve with the wrap-up of several different but sometimes inter-related urban guerrilla groupings (Mexico 456, January 29) in a demonstration of heightened determination on the part of GOM security agencies. The death of Genaro VAZQUEZ Rojas in an automobile crash at the beginning of February deprived Mexico of its most celebrated guerrilla leader. There were further arrests during the year, notably of a group that had previously dedicated itself to training exercises in rural areas but inexplicably turned to high-visibility, low-damage bombings of government buildings and private firms --several of them U.S.-owned -- between June and early October.

As allieady noted, however, the guerrilla organization headed by Inicio CABAÑAS Barrientos in the State of Guerrero twice ambushed Mexican Army units and remains largely intact and certainly at large. Aside from the intensive military operations mounted against Cabañas, there was further evidence of the GOM's concern with the situation when it refused a request by opposition legislators that General Cuenca Dfaz testify before the Congress this fall, when almost all other Cabinet officers were doing so. And from about June onward there was a recrudescence of urban guerrilla activity in the State of Nuevo León (see Monterrey A-62 of November 26), culminating in the hijacking of a Mexicana Airlines flight to Cuba in early November which involved the release of several just-arrested guerrillas.

It is therefore difficult to draw a balance at this point in time. Several of the groups organized in the period from 1968 or 1969 through 1971 have been put out of action, and nation-wide guerrilla strength has been significantly

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but not irreparably degraded over the past year. At the same time, the Cabañas organization -- even though its major operations have so far been confined to part of a single state -- demonstrated in the two ambushes greater capabilities than any of the other modern-day guerrilla groupings.

The GOM, meanwhile, persists in its refusal to admit publicly that any problem exists or to concede political motivation to anyone who has taken up arms against it. Privately, there is considerably more sophistication; a young theoretician for the PRI, for example, concedes that there is a problem with socio-economic roots, and not only in Guerrero, but believes there is no point in "alarming the public" by airing it publicly. Instead, he believes the GOM should quietly continue the approach it has already adopted: a combination of police and military action with developmental programs involving heavy federal spending in the poorest parts of the country. He professes confidence that this approach will, over time, defuse the "temporary" guerrilla situation. Considering events in 1972, we have yet to be convinced.

I. Internal Politics

The major development here was Echeverria's attempt to put not only his own stamp but a whole new face on the <u>Partido Revolucionario Institucional</u> (PRI). In February he chose Jesús REYES Heroles, an intellectual and experienced government administrator with little direct experience in practical politics, to take over the party presidency from the lack—luster and rather inept Manuel SANCHEZ Vite, who returned to the governorship of Hidalgo. Echeverria's choice for secretary—general, the number two position, was Senator Enrique GONZALEZ Pedrero, another intellectual (and with a pronounced leftist background).

Numerous personnel changes followed, and the PRI under this leadership geared up for its 7th Ordinary National Assembly in October. This event failed to live up to expectations.

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PAGE 01 MEXICO 02774 250205 Z

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ACTION ARA-17

INFO OCT-01 ADP-00 NEA-10 AID-20 CIAE-00 DODE-00 PM-09

H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-15 USIA-12 RSR-01 /115 W

023512

R 150053 Z APR 73 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 5554

NOFORN MEXICO 2774

PLEASE PASS TO DIA WASHDC FOR AA-7

E. O. 11652: XGDS TAGS: PINT / MX

SUBJECT: ANOTHER SEARCH FOR LUCIO CABANAS

REF: MEXICO 2 696

- 1. APRIL 23 " NOVEDADES" CARRIED REPORT THAT ELEMENTS OF GUERRERO PUBLIC SECURITY FORCES, STATE JUDICIAL POLICE, AND MEXICAN MILITARY WILL BEGIN CONCERTED DRIVE APRIL 24 AIMED AT ROUNDING UP LUCIO CABANAS AND MEMBERS OF HIS GANG, SAID TO NUMBER NOT MORE THAN 30. ACCORDING TO GUERRERO ATTORNEY GENERAL FRANCISCO ROMAN ROMAN, CABANAS AND HIS GROUP HAVE BEEN ISOLATED. THEY POSSESS HIGH- POWER FIRE ARMS, " SOME OF WHICH WERE TAKEN FROM THE ARMY IN TWO ATTACKS". HOWEVER, ROMAN ROMAN BELIEVES THAT CAMPESINOS FEEL THREATENED BY CABANAS AND THEREFORE WILL COOPERATE IN SEARCH.
- 2. NEW CAMPAIGN PUBLICLY IS TIED TO ASSASSINATION OF FRANCISCO SANCHEZ LOPEZ (REFTEL), HOWEVER, EMBASSY HAS LEARNED THAT TWO OF FIVE PERSONS ARRESTED IN CONNECTION WITH APRIL 13 MEXICO CITY BANK ROBBERY CONFESSED TO TIES WITH CABANAS ORGANIZATION. ONE OF THESE ARRESTEES, A FORMER MILITARY MAN, FURTHER CONFESSED TO PARTICIPATION

PAGE 02 MEXICO 02774 250205 Z

IN AUGUST 23 AMBUSH OF MILITARY UNIT IN GUERRERO AND TO HAVING IDENTIFIED SANCHEZ LOPEZ AS A POTENTIAL KIDNAPPING

UNITED STATES DEPARTMENT OF STATE

REVIEW AUTHORITY: SAM A. MOSKOWITZ

DATE/CASE ID: 25 JAN 1999 199800894

Date Printed: 11/25/1998

DOC_NUMBER CLAMENTED PT04 CHANNEL: n/a

3

GIVEN APPARENT SECURITY AND POLITICAL OVER-OF RECENT RASH OF BANK ROBBERIES (REPORTED SEPARATELY), LIKELY THAT THIS MAY BE MORE BASIC REASON WHY GOM US UNDER RENEWED PRESSURE VIGOROUSLY TO CONSIDERATION AND USE ME VARIOUS PROVISIONS ONLY AS MARCAINING MEASURES AGAINST OTHER NATIONS, PARTICULARLY

JAPAN AND FRANCE, AND NOT AS GENERAL APPLICATIONS. particularly on those backward countries that have close POLÍTICAL TIES WITH THE UNITED STATES. . THIS WILL HELP TO LESSEN THE DAMAGING IMPACT OF THE NEW TRADE ACT! WE DEERLY BELIEVE THAT THE UNITED STATES GOVERNMENT DOES HAVE A BIG HEART."

- INFLÜENTIAL PRIVATELY- OWNED CHINA TIMES APRIL 19: "... THE MAIN TARGETS OF THIS COMPREHENSIVE NEW TRADE ACT ARE JAPAN AND WESTERN EUROPE... WE HAVE REPEATEDLY STRESSED THAT THE OVERALL INTEREST OF THE FREE WORLD IS MORE IMPORTANT THAN INDIVIDUAL DIFFERENCES. WE NOT ONLY ARE GLAD TO SEE AN IMPROVEMENT IN U. S. - WESTERN EUROPEAN TIES, BUT ALSO HOPE THAT JAPAN WOULD DISCONTINUE ITS CUT- THROAT COMPETITION WITH THE UNITED STATES IN TRADE OVER SHORT- TERM INTEREST..."
- GOVERNMENT CHINA DAILY NEWS APRIL 19: "... WE SHOULD ALSO REALIZE THAT THE NEW TRADE ACT WOULD EMPOWER THE PRESIDENT TO GIVE DEVELORING COUNTRIES TARIFF PREFERENCE, BUT WHICH WILL BE CANCELLED WHEN THOSE NATIONS REACH A CERTAIN STANDARD. WE MUST MAKE EARLY PREPARATIONS TO SECURE SUCH PREFERENTIAL TREATMENT AND FORESTALL POSSIBLE EXCLUSION... THE NEW TRADE ACT WOULD ALSO GIVE THE COMMUNIST COUNTRIES MOST PREFERENTIAL TREATMENTS, AND JUDGING FROM PRESENT SITUATION, THIS WILL INCLUDE THE CHINESE COMMUNIST ! THUS, WE SHALL NOT ONLY FIGHT AGAINST THE CHINESE COMMUNIST FACE, TO- FACE ON THE DIPLOMATIC FRONT, BUT SHALL ALSO ENGAGE IN FACE- TO- FACE STRUGGLE AGAINST THEM IN TRADE ... "
- PRIVATELY, OWNED ENGLISH- LANGUAGE CHINA NEWS APRIL JEC UNCLASSIFIED

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PAGE 03 / TAIPEI 02413 250024 Z

TAIWAN WOULD BE AFFECTED, HOWEVER -- AND PERHAPS SERIOUSLY IN THE ABSENCE OF EOLATERAL AGREEMENT TO THE CONTRARY. WE HAVE ALREADY HAD THE EXPERIENCE OF HAVING OUR COTTON TEXTILES BROUGHT UNDER U. S. QUOTAS... OTHER U. S. INDUSTRIES WOULD LIKE TO SEE ADDITIONAL TAIWAN PRODUCTS SHUT OUT OF THE AMERICAN MARKET. PRODUCTS AS SHOES, PLYWOOD AND CANNED MUSHROOMS ARE INVOLVED. AMERICAN TEXTILE MILLS AND GARMENT MAKERS ARE BIDDING FOR INCREASED PROTECTION... AN EXCEPTION

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CORDING MEXICO CITY PRESS REPORTS, FOREIGN MINISTERS
O O. RABASA OF MEXICO AND CHI DENG FEI OF PRC SIGNED
MERCIAL AGREEMENT IN PEKING ON APRIL 22. AGREEMENT REPORTEDLY
LENABLE MEXICO TO SELL 370 MILLION PESOS (\$29.6 MILLION)
MULLION PRC, WHILE PRC WILL SELL 125 MILLION PESOS (\$10
MILLION) PO MEXICO.

PRIMARY MEXICAN EXPORTS TO CONSIST OF COTTON, SULFUR, AND SUCAR. EL UNIVERSAL REPORTS THAT MEXICO WILL SELL 40,000 TONS (APPROXIMATELY 180,000 BALES) COTTON FOR 360 ACT AGAINST CABANAS. ADDITIONALLY, THERE IS GROWING CONCERN ABOUT POSSIBLE ADVERSE EFFECTS ON TOURISM SHOULD CABANAS' ORGANIZATION MOVE AGAINST TEMPTING ACAPULCO TARGETS.

3. COMMENT: CONTRARY TO ROMAN ROMAN'S BELIEF OF CAMPESINO SUPPORT FOR GOM EFFORT, IT IS APPARENT THAT CABANAS AND HIS GROUP OPERATE FREELY IN GUERRERO. IMPLICATIONS ARE THAT LOCAL POPULACE, FOR WHATEVER REASONS, CONTINUES TO AFFORD CABANAS COVER. IT THEREFORE IS PROBLEMATICAL WHETHER ANNOUNCED NEW CAMPAIGN WILL BE ANY MORE SUCCESSFUL THAN WERE PREVIOUS EFFORTS TO CAPTURE CABANAS.

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*** Current Handling Restrictions *** n/a
*** Current Classification ***

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PAGE 01 MEXICO 02696 200133 Z

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ACTION ARA-17

INFO OCT-01 ADP-00 NEA-10 AID-20 CIAE-00 DODE-00 PM-09

H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-15 USIA-12 RSR-01 /115 W

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R 192250 Z APR 73 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 5516

MEXICO 2696

E. O. 11652 N/A TAGS: PINT, MX

SUBJECT: ASSASSINATION OF KIDNAPPING VICTIM BY LUCIO CABANAS GROUP

IN STATE OF GUERRERO

REF:

SRF 8 MM 13238

- SEVERAL MEXICO CITY DAILIES TODAY REPORTED THE FINDING OF THE TECPAN DE GALEANA, GUERRERO, ONE BODY OF FRANCISCO SANCHEZ LOPEZ, KILOMETER AWAY FROM THE SITE OF AN AMBUSH OF MEXICAN ARMY TROOPS SANCHEZ LOPEZ WAS KIDNAPPED ON MARCH 7 WHILE DRIVING LAST SUMMER. HIS JEEP ALONG A RURAL ROAD; HIS KIDNAPPERS CLAIMED TO BELONG TO LUCIO CABANAS BARRIENTOS' GUERRILLA GROUP AND ASKED A RANSOM OF TWO AND ONE- HALF MILLION PESOS, TO BE PAID WITHIN ONE MONTH. FAMILY OF SANCHEZ LOPEZ FAILED TO DELIVER THE RANSOM, CLAIMING THAT THEIR TOTAL ASSETS AMOUNTED TO NO MORE THAN 400,000 PESOS AND SOME HIS ASSASSINS KILLED HIM WITH SEVERAL SHOTS FROM AN M-1 THEY LEFT A NOTE NAILED TO A NEARBY TREE STATING THAT THE EXECUTION BRIGADE OF THE PARTY OF THE POOR HAD EXECUTED HIM BECAUSE THE REQUESTED RANSOM HAD NOT BEEN PAID AND THAT THE DUTY OF EVERY REVOLUTIONARY IS TO MAKE REVOLUTION BY FORCE OF ARMS UNTIL VICTORIOUS OR DEAD.
- 2. THE OFFICIAL GOM REACTION HAS BEEN MODERATE THUS FAR. ISRAEL NOGUEDA OTERO, THE GOVERNOR OF GUERRERO, PROMISED THAT THE GOVERN-

MENT WOULD NOT BEGIN A WITCH- HUNT AND WOULD PUNISH ONLY THOSE LIMITED OFFICIAL USE



UNITED STATES DEPARTMENT OF STATE REVIEW AUTHORITY: SAM A. MOSKOWITZ DATE/CASE ID: 11 JUN 1999 199800894 LI

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HE HOPED THAT THE CAMPESINOS IN THE RESPONSIBLE FOR THE ATROCITY. REGION WOULD COOPERATE WITH THE AUTHORITIES IN THE SEARCH FOR THE NOGUEDA CRIDITED CABANAS WITH RESPONSIBILITY FOR THE MURDERERS. MURDER, WHICH HE DESCRIBED AS PERPETRATED BY A BANDIT TRYING TO OBTAIN MONEY BY MEANS OF TERROR AND ASSASSINATION.

COMMENT: THE ASSASSINATION OF SANCHEZ LOPEZ INDICATES THAT 3. CABANAS' GROUP IS STILL VERY MUCH ALIVE AND ACTIVE. THEIR MOTIVE FOR THE MURDER MAY HAVE BEEN TO CONVINCE THE FAMILIES OF FUTURE VICTIMS THAT THEY ARE SERIOUS IN DEMANDING A CERTAIN RANSOM. THE GOM WILL CONTINUE TO PORTRAY THEM AS COMMON BANDITS. HOW WELL THIS ATTEMPT WILL SUCCEED IS PROBLEMATICAL. DEAN

*** Current Handling Restrictions *** n/a *** Current Classification ***

*** Current Handling Restrictions *** n/a

*** Current Classification ***

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SITUATION(S) MESSAGE(S) LISTING

DATE 09/25/73//268

SITUATION: CHILE SUBJECT CATAGORY: COUP

MESSAGE / ANNOTATION?

MESSAGET IMMEDIATE

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O 131814Z SEP 73 FM AMEMBASSY MEXICO

TO SECSTATE WASHDO IMMEDIATE 7946

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C.O.R.R.E.C.T.E.D.C.O.P.Y. (PARA 4)
E.O. 11652.GOS
TAGS.PINT/CI/MX
SUBJECT: CONTINUING MEXICAN REACTION TO CHILEAN COUP
REF. MEXICO 6831
1. SUMMARY? MEXICAN GOVERNMENT AND PUBLIC CONTINUES TO
MANIFEST STRONG SYMPATHY FOR EX-PRESIDENT ALLENDE, SKEPTICISM
ABOUT THE MANNER IN WHICH HE DIED AND DISAPPROVAL OF JUNTA.
PRESIDENT ECHEVERRIA HAS DECLARED 3-DAY PERIOD OF MOURNING
SEPTEMBER 17-19. ACTION REQUESTED: DEPARTMENT PASS
SANTIAGO AS DESIRED. END SUMMARY.
2. SEPTEMBER 13 MEXICO CITY PRESS GAVE VOLUMINOUS AND
OFTEN NEARLY HYSTERICALLY NEGATIVE COVERAGE TO EVENTS IN
CHILE. ALTHOUGH SOME ITEMS DEVOTED TO SKETCHY ACCOUNTS
OF WHAT IS TAKING PLACE THERE, MORE SPACE DEVOTED TO
PRO-ALLENDE COMMENTS AND EDITORIALIZING.
3. IN AN EXTRADROINARY DECREE IN WHICH HE, INTER ALIA,
NOTED ALLENDE'S CLOSE AND CONSISTENT EVIDENCES OF FRIENDSHIP
FOR GOM AND FACT THAT LATE CHILEAN PRESIDENT HAD BEEN FIRST
TO ENDORSE HIS PROPOSED CHARTER FOR ECONOMIC RIGHTS AND
DUTIES, PRESIDENT ECHEVERRIA HAS DECLARED 3-DAY PERIOD OF
DEFICIAL HOURNING TO BEGIN SEPT. 17 (AFTER MEXICAN INDEPENDENCE
DAY CELBRATIONS). TEXT OF DECREE BEING POUCHED TO ARCHEX.
4. AS ANTICIONTED, COM PERMITTED PRO-ALLENDE DEMONSTRATION
TO BE HELD LATE AFTERNOON SEPTEMBER 12. ACCORDING TO ACCOUNT
IN EXCELSIOR, SOME 5000 PERSONS ATTENDED. (ACCOUNT) AMONG
THOSE ADDRESSING ASSEMBLAGE WAS PCM FIRST SECRETARY ARNALOO
THOSE ADDRESSING ASSEMBLAGE WAS PCM FIRST SECRETARY ARNALOO

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Authority NSC

By Anna MARA Date F-1-00

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SITUATION: CHILE SUBJECT CATAGORY: COUP

MESSAGE / ANNÖTÄTIONT

MARTINEZ VERDUGO WHO CALLED ON GOM TO DEMANN IMMEDIATE REA PAYMENT FOR RECENT COANS GRANTED TO CHILE IN CONNECTION WITH SALE OF POL ITEMS. ORGANIZERS OF THIS RALLY (SOCIALIST LABOR PARTY -- PST) ANNOUNCED THAT A BYHONSTRATION WILL BE SCHEDULED FOR SEPTEMBER 14 BEGINNING AT 4100 AND MOVING FROM THE DIANA PAST THE US EMBASSY AND TO THE ALAMEDA. ANOTHER SPEAKER AT THE RALLY CALLED ON GOM TO APPLY THE "CARDENAS DOCTRINE" WHICH HE IDENTIFIED AS THE ABERRATION TO MEXICO'S WELL-KNOWN ESTRADA DOCTRINE UNDER WHICH MEXICAN RECOGNITION HAS BEEN DENIED TO THE FRANCO REGIME.
5. PRESS ALSO REPORTED A "MINI-COUP" WITHIN LOCAL 5. PRESS ALSO REPORTED A "MINI-COUP" WITHIN LOCAL CHILEAN EMBASSY. MILITARY ATTACHE, COL. AGUSTIN TORO DAVILA ALLEGEDLY LOST OUT TO AMBASSADOR HUGO VIGOREND RAMIREZ IN A DISPUTE WHETHER OR NOT TO HALF-MAST FLAG. VIGORENA 1WHO ALREADY HAS ANNOUNCED THAT HE WILL RESIGN HIS POST; EVIDENTLY WON OUT AND LOCAL EMBASSY (WHICH ADMITS TO FACT THAT IT HAS HAD NO DIRECT CONTACT WITH SANTIAGO) IS MAINTAINING ATTITUDE OF OFFICIAL MOURNING. 6. SEPTEMBER 13 AP STORY DATELINED MEXICO CITY REPORT THAT ALLENDE'S WIDOW, TWO DAUGMTERS, AND FOUR GROCHLINGS. DCHILDREN ARE AMONG THOSE WHO HAVE ACCEPTED OFFER OF ASYLUM IN MEXICAN EMBASSY SANTIAGO. OTHER REPORTS STATED THAT LATE PRESIDENTY: 8 5347 LAURA ALLENDE, IS ALSO AN ASYLEE. AP STATES THAT PRESIDENT ECHEVERRIA IS DESPATCHING AEROMEXICO DC-9 TO SANTIAGO TO PICK UP MRS. ALLENDE AND OTHER ASYLEES WHO "SURELY WILL REACH MEXICO CITY BY TOMORROW NIGHT (SEPT. 14)". 7. COMMENȚ, GOMIS OFFICIAÇ ATTITUDE HAS RESULTED IN CERTAIN ACTS WHICH BEAR THE SEEDS FOR FUTURE EMBARRASSMENT E.G. GRANTING PUBLIC FORUM TO PERSONALITY SUCH AS MARTINEZ VERDUGO WHO NORMALLY IS FORCED TO OPERATE IN A MUCH MORE CIRCUMSPECT MANNER. LIKEWISE, THE ACTS SUCH AS DECLARATION OF OFFICIAL MOURNING WILL MAKE IT EXTREMELY DIFFICULT, IF NOT IMPOSSIBLE, FOR ECHEVERRIA ADMINISTRATION OF STABILES AND SORT OF TO ESTABLISH ANY SORT OF SATISFACTORY RELATIONS WITH NEW CHILEAN REGIME. LATTER POINT IS OF SOME POLITICAL INTEREST, BUT OF LIMITED PRACTICAL EFFECT SINCE IMPORTANCE OF RELATIONS DETWEEN THE COUNTRIES DURING LAST THREE YEARS HAS BEEN SOMEWHAT FORCED AND RELATED ALMOST EXCLUSIVELY TO THE PERESNAL EMPATHY FELT BY ECHEVERRIA FOR THE CHILEANS ISTEMMING FROM HIS STUDENT DAYS THERE) AND HIS CLOSE FRIENDSHIP AND ADMIRATION OF ALLENDE. DEAN

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PAGE 64 SITUATION(S) MESSAGE(S) LISTING

DATE 09/25/73//268

SÍTUATION: CHICE SUBJECT CATAGORÝ: COUP

MESSAGE / ANNOTATION?

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64 ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 PM-03 AID-10 IGA-01 NSC-07 NSCE-00

CIAE-00 INR-10 NSAE-00 RSC-01 DODE-00 L-02 SP-01

OMB-01 TRSE-00 H-01 PRS-01 DRC-01 SCCT-02 SNM-02

DEAE-00 /068 W

121719

R 191604Z APR 74 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 1275

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SECTION 1 OF 2 MEXICO 3309 POIA Exemptions

() CLASSIFY as () S or () C Sec. () DOWNGRADE TS to () S or () C

LIMDIS

E.O. 11652: GDS

TAGS: EAID, MASS, PINS, MX

SUBJECT: FAA SECTION 32 - POLITICAL PRISONERS

TOAID

REF: STATE 068545

- 1. SUMMARY: EMBASSY BELIEVES THAT GOM DOES NOT RPT NOT FALL WITHIN DEFINITION OF GOVERNMENT WHICH SHOULD BE DENIED ECONOMIC OR MILITARY ASSISTANCE UNDER SECTION 32 OF THE FAA OF 1973, ALTHOUGH SOME MEXICAN PRACTICES BORDER ON THOSE PROSCRIBED BY ACT. SINCE AID HAS NO COUNTRY PROGRAM IN MEXICO, WE ASSUME THIS REPLY REQUIRED ONLY BECAUSE OF MODEST MILITARY TRAINING PROGRAM FOR MEXICO FUNDED UNDER FAA. END SUMMARY.
- 2. AS DEPT AND AID/W AWARE, THERE IS NO AID COUNTRY PROGRAM FOR MEXICO. ONLY AID PROGRAM HERE IS REGIONAL (RTAC). MEXICO DOES, HOWEVER, RECEIVE TRAINING UNDER MILITARY ASSISTANCE PROGRAM, FUNDED UNDER FAA, INVOLVING APPROXIMATELY 24 STUDENTS AT COST OF APPROX DOLLARS 100,000 ANNUALLY. POST THEREFORE ASSUMES THAT FOR THIS



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REASON A REPLY TO REFTEL IS REQUIRED.

- 3. IN GENERAL, EMBASSY BELIEVES IT CAN BE SAID THAT GOM DOES NOT RPT NOT INTERN OR IMPRISON ITS CITIZENS FOR POLITICAL PURPOSES PER SE. EXPRESSION OF POLITICAL BELIEF OR OPINION CONTRARY TO OFFICIAL POLICY OR PUBLIC POSITIONS OF MEXICAN GOVERNMENT AND RULING PARTIDO REVOLUCIONARIO INSTITUCIONAL IS USUALLY TOLERATED WITHIN LIMITS THAT -- BY COMPARISON WITH THOSE IN MANY OTHER LDC'S -- ARE RELATIVELY BROAD, OR AT WORST DISCOURAGED THROUGH MILD PRESSURES (E.G., STRIDENTLY OPPOSITIONIST PUBLICATIONS HAVE AT TIMES EXPERIENCED DIFFICULTY IN OBTAINING QUANTITIES OF NEWSPRINT THEY WOULD LIKE, OR HAVE HAD INDIVIDUAL ISSUES CONFISCATED OR THEIR DISTRIBUTION INTERFERED WITH). THERE ARE THREE LEGALLY REGISTERED OPPOSITION PARTIES, ONE OF WHICH IS MORE THAN TOKEN, AND OTHER, UNREGISTERED POLITICAL GROUPINGS ARE ALLOWED TO EXIST AND OPERATE SO LONG AS THEY REMAIN DISCREET IN THEIR ACTIVITIES. GOM POLICY EVEN TOWARD SOMEWHAT MORE MILITANT OPPOSITION ACTIVITY CAN BE SAID TO HAVE MATURED IN LAST FOUR YEARS, BEGINNING WITH DELETION FROM PENAL CODE IN MID-1970 OF CONTROVERSIAL ARTICLES 145 AND 145-BIS AND RELATED PROVISIONS CONCERNING VAGUELY DEFINED "CRIME" OF FOMENTING "SOCIAL DISSOLUTION" (SEE MEXICO 3894, JULY 16, 1970). RELEASE OF SUBSTANTIAL NUMBER OF PRISONERS ARRESTED FOR PARTICIPATION IN 1968 DEMONSTRATION AND OF OTHER SO-CALLED "POLITICAL PRISONERS" UNDER CURRENT ECHEVERRIA ADMINISTRATION (I.E., SINCE DECEMBER 1970) IS FURTHER EVIDENCE OF GOM MATURATION IN THIS REGARD (SEE MEXICO A-52, FEB, 15, 1971; A-652, DEC, 20, 1971; AND A-655, DEC. 27, 1971).
- 4. WHERE GOM REMAINS UNCOMPROMISING (AND INDEED MAY HAVE STIFFENED ITS ATTITUDE IN RECENT MONTHS) IS IN RESPECT TO THOSE PERSONS WHO HAVE TAKEN UP ARMS AGAINST THE STATE. GOM ARGUES (AND, WE THINK, WITH JUSTIFICATION) THAT SUCH PERSONS, WHATEVER THEIR PROFESSED MOTIVATION, HAVE COMMITTED FELONIES (MURDER, KIDNAPPING, ARMED ROBBERY, ETC.) AND ARE THEREFORE SOUGHT, APPREHENDED, AND PUNISHED NOT FOR THEIR BELIEFS BUT FOR CONCRETE ACTS.



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5. IT IS IN DEALING WITH PERPETRATORS OF SUCH ACTS THAT GOM APPEARS FREQUENTLY TO OVERSTEP LEGALLY PRESCRIBED PROCEDURES. THERE ARE RECURRENT REPORTS OF DETENTION OF "SUSPECTS" WHOSE ONLY CONNECTION WITH ANTI-GOVERNMENTAL



ACTIVITY MAY BE BLOOD RELATIONSHIP WITH WANTED GUERRILLAS; OF CIVILIANS DETAINED EXTRA-CONSTITUTIONALLY BY MILITARY AUTHORITIES, TO PRECLUDED POSSIBILITY WHICH WOULD EXIST WITHIN REGULAR JUDICIAL SYSTEM OF THEIR OBTAINING RELEASE THROUGH "AMPARO" PROCEEDINGS; OF PERSONS HELD FOR MORE THAN THREE DAYS WITHOUT ARRAIGNMENT AND/OR FOR MORE THAN ONE YEAR WITHOUT TRIAL, IN VIOLATION OF CONSTITUTIONAL STIPULATIONS; AND OF PRISONERS TORTURED WHILE IN DETENTION. LATELY, THERE HAVE BEEN INDICATIONS ALSO THAT GOM HAS MURDERED SOME PRISONERS AFTER EXTRACTING ALL INFORMATION THEY HAVE TO GIVE, PRESUMABLY WITH INTENTION OF COMMUNICATING GOM'S HARD LINE AND KEEPING DOWN NUMBER WHOSE RELEASE MIGHT BE SOUGHT IN EXCHANGE FOR LIFE OF KIDNAPPING VICTIM (SEE GUADALAJARA A-81, NOV. 27, 1973 AND A-92, DEC. 28, 1973).

6. IN CANDID MOMENTS, GOM OFFICIALS WILL SOMETIMES CONCEDE THAT EXCESSES ARE COMMITTED. THUS A US-CITIZEN CORRESPONDENT JOVA



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64 ACTION ARA-10

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SECTION 2 OF 2 MEXICO 3309

LIMDIS





WAS REPORTEDLY TOLD RECENTLY BY A SUBCABINET OFFICIAL THAT GOM CONSIDERS ITSELF "AT WAR" WITH GUERRILLA/TERRORIST GROUPINGS. "A 19-YEAR-OLD GIRL ARMED WITH A SUBMACHINE GUN," HE ADDED, "CAN BE A DEADLY ENEMY." IMPORTANT POINT IN EMBASSY'S OPINION, HOWEVER, IS THAT GOM IN THESE INSTANCES APPEARS TO BE RESPONDING --HOWEVER HEAVY-HANDEDLY -- TO LEGITIMATE AND SERIOUS PROVOCATION BY ARMED OPPONENTS WHO SEEK ITS OVERTHROW AND WHO IN LAST SEVERAL YEARS HAVE COME TO CONSTITUTE A GENUINE THREAT TO PUBLIC ORDER IN SEVERAL PARTS OF COUNTRY.

7. PRINCIPAL HANG-UPS FOR GOM IN DEALING WITH MODERN-DAY GUERRILLAS AND TERRORISTS HAVE HAD TO DO WITH PUBLIC POSTURE: A DESIRE TO MINIMIZE SERIOUSNESS OF PROBLEM SO AS NOT TO ALARM PUBLIC OPINION (EVEN WHILE APPLYING HARSH MEASURES TO DEAL WITH PROBLEM); AND AN UNWILLINGNESS TO CONCEDE POLITICAL MOTIVATION (EVEN THOUGH IT UNDOUBTEDLY EXISTS) TO GUERRILLAS AND TERRORISTS. HOWEVER, THIS ASPECT OF GOM'S PROBLEMS IS NOT GERMANE TO QUESTIONS RAISED REFTEL.

8. ON BALANCE, THEREFORE, EMBASSY WOULD CONCLUDE THAT, WITHIN MEANING OF SECTION 32 OF THE FAA, MEXICO DOES NOT



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PRACTICE INTERNMENT OR IMPRISONMENT OF CITIZENS FOR POLITICAL PURPOSES EXCEPT WHEN FACED WITH ACTIVE, ARMED OPPOSITION THAT POTENTIALLY THREATENS SECURITY OF STATE, AND THAT THERE IS NO CONSISTENT PATTERN OF VIOLATION OF RIGHT TO BE FREE OF ARBITRARY ARREST.

9. WE WOULD ADD JUDGMENT THAT

JMEXICAN ARMY COMMITMENT TO JOINT US/GOM ANTI-NARCOTICS EFFORT (ESTIMATED BY DAO AT 30 BATTALIONS FULL- OR PART-TIME) FAR OUTWEIGHS MONETARY VALUE OF TRAINING PROVIDED BY THE USG UNDER MAP. JOVA





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P 032240Z JUN 74 FM AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 1898

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MEXICO 4508

E.O. 11652: GDS TAGS: PINS MX

SUBJ: PRI GUBERNATORIAL CANDIDATE IN GUERRERO REPORTEDLY

ABDUCTED BY CABANAS GUERRILLA ORGANIZATION

- 1. SUMMARY: MEXICO CITY PRESS MORNING OF JUNE 3 CARRIES SUPPOSED COMMUNIQUE FROM LUCIO CABANAS GUERRILLA GROUP IN STATE OF GUERRERO SAYING PRI GUBERNATORIAL CANDIDATE, SEN. RUBEN FIGUEROA, IS ITS PRISONER. COMMUNIQUE DEMANDS REMOVAL OF TROOPS AND POLICE FROM CABANAS'S AREA OF OPERATIONS AS PRECONDITION TO NEGOTIATIONS. SINCE FIGUEROA HAD ANNOUNCED INTENT TO MEET CABANAS AND OFFER HIM "TOTAL AMNESTY," IT IS NOT YET CERTAIN WHETHER BONA FIDE ABDUCTION HAS OCCURRED. HOWEVER, RECENT CAPTURE AND CONTINUING DETENTION OF ONE OF CABANAS'S PRINCIPAL LIEUTENANTS WOULD APPEAR TO OFFER MORE THAN ADEQUATE MOTIVE. END SUMMARY.
- 2. SEVERAL MEXICO CITY DAILIES JUNE 3 CARRY ACCOUNT OF A COMMUNIQUE FROM SO-CALLED "PARTY OF THE POOR," GUERRILLA GROUP HEADED BY LUCIO CABANAS BARRIENTOS. COMMUNIQUE WAS FOUND IN TRASH CAN IN ACAPULCO NIGHT OF JUNE 2 AFTER LOCAL NEWSPAPER HAD BEEN ALERTED BY TELEPHONE CALL.
- 3. COMMUNIQUE IS ADDRESSED TO (PRESIDENT) "LUIS ECHEVERRIA ALVAREZ, RELATIVES OF RUBEN FIGUEROA, AND PUBLIC OPINION". TEXT BEGINS WITH STATEMENT: "THROUGH CIRCUMSTANCES WHICH WE

EXTEND CLASSIFICATION

PAGE 02 MEXICO 04508 040049Z

SHALL MAKE KNOWN, WE HAVE IN OUR POWER, UNDER THE ARMS OF THE PARTIDO DE LOS POBRES, SENATOR RUBEN FIGUEROA, AND WE SHALL LIBERAT HIM WHEN THE GOVERNMENT COMPLIES WITH OUR PETITIONS

UNITED STATES DEPARTMENT OF STATE

DATE/CASE ID: 11 JUN 1999 199800894 DECLASSIFY AFTER: 25X1, REASON: 1.5(C)

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CHANNEL: n/a

WE SHALL PUBLISH AT AN EARLY DATE; IF OUR CONDITIONS ARE NOT MET, HE WILL BE EXECUTED". COMMUNIQUE GOES ON TO SAY GUERRILLAS WILL SUBSEQUENTLY REVEAL HOW GOVT IS "KILLING PEOPLE" AND WILL MAKE CLEAR DECEIT BEING UNDERTAKEN BY FIGUEROA (PRESUMABLY A REFERENCE TO HIS PUBLIC STATEMENTS OF INTENT TO OFFER AMNESTY TO CABANAS).

- 4. AS INITIAL DEMAND AND APPARENT PRECONDITION TO NEGOTIATIONS, COMMUNIQUE ASKS WITHDRAWAL OF TROOPS AND "SECRET" AND JUDICIAL POLICE FROM FOUR TOWNS (TECPAN, COYUCA, SAN JERONIMO AND ATOYAC) IN GUERRILLAS' PRINCIPAL AREA OF OPERATIONS. IT CONCLUDES BY SAYING PARTY OF POOR HAS AS ITS MISSION TO STAGE "THE NEW REVOLUTION, WHICH WILL BE SOCIALIST AND WILL OVERTHROW THE BOURGEOISIE (SO THAT) THE POOR WILL GOVERN WITH A PROLETARIAN REGIME. WE PAY NO ATTENTION TO THE PRI*"
- 5. DATE OF FIGUEROA'S DEPARTURE FROM RESIDENCE IN ACAPULCO (AND/OR OF HIS DISAPREARANCE) NOT CLEAR; SOME ACCOUNTS INDICATE HE WAS LAST SEEN ON MAY 30. FIGUEROA WAS DUE IN IGUALA, GUERRERO, MORNING OF JUNE 2 FOR STATE ASSEMBLY OF NATIONAL CAMPESINO FEDERATION, WHICH WAS TO TENDER HIM ITS SUPPORT AS "PRECANDIDATE" FOR GOVERNOR OF THE STATE. ASSEMBLY WENT AHEAD IN HIS ABSENCE.
- 6. IN RECENT INTERVIEWS AND PRESS STATEMENTS, FIGUEROA HAD INDICATED THAT HIS PRINCIPAL TASK AS GOVERNOR WOULD BE TO "PACIFY" THE STATE AND, TO THAT END, HE INTENDED TO MEET WITH CABANAS AND OFFER HIM "TOTAL AMNESTY". FIGUEROA HAD ADDED "IF THERE WAS AMNESTY FOR PANCHO VILLA, WHOSE NAME IS NOW INSCRIBED IN GOLD LETTERS IN THE HALLS OF CONGRESS, WHY NOT AMNESTY FOR CABANAS?" FIGUEROA'S OFFER HAD ALREADY BEEN PUT DOWN BY LEFTIST WEEKLY POR QUE?, WHICH CITED PREVIOUS GOM AMNESTIES THAT HAD LEAD TO MURDER OF THEIR BENEFICIARIES.
- 7. FIGUEROA, 65, HAS HAD LONG AND CHECKERED POLITICAL/GOVERN-MENTAL CAREER, INCLUDING TWO TERMS IN CHAMBER OF DEPUTIES (1940-43 AND 1964-67). HE HAS HEADED A TRUCKERS' FEDERATION

PAGE 03 MEXICO 04508 040049Z

FOR MORE THAN 30 YEARS AND IS REPORTEDLY A MILLIONAIRE. ASIDE FROM THAT POSITION AND CURRENT SERVICE IN SENATE, HE IS ALSO "VOCAL EJECUTIVO" OF COMMISSION FOR DEVELOPMENT OF THE BALSAS RIVER® BASIN, A POST IN WHICH HE SUCCEEDED THE LATE EX-PRES. LAZARO CARDENAS. FIGUEROA TWO YEARS AGO WAS ACCUSED OF FINANCING A CRIMINAL NAMED MIGUEL CASTRO BUSTOS, WHOSE ACTIVITIES CONVULSED THE AUTONOMOUS NATIONAL UNIVERSITY IN MEXICO CITY FOR SEVERAL WEEKS. HE HAS LONG ASPIRED TO GOVERNORSHIP OF GUERRERO AND FINALLY GOT THE NOD THIS YEAR, ALTHOUGH HE HARDLY FITS IMAGE OF ECHEVERRIA ADMINISTRATION. HE IS DUE



TO BE NOMINATED BY STATE CONVENTION OF PRI ON JUNE 23. ELECTION IS SCHEDULED FOR DEC. 1 INAUGURATION FOR APRIL 1, 1975. (FIGUEROA WOULD ALSO APPEAR TO REPRESENT PRECISELY THE KIND OF OFFICIAL TO WHOSE ELIMINATION CABANAS AND OTHER GUERRILLAS ARE MOST COMMITTED).

8. COMMENT: ASSUMING FIGUEROA CASE REPRESENTS GENUINE POLITICAL ABDUCTION, IT WILL REPRESENT FIRST REAL TEST OF ECHEVERRIA ADMINISTRATION'S "NO DEAL" POLICY ESTABLISHED IN ARANGUREN/ WILLIAMS CASES IN GUADALAJARA LAST FALL (SEE A-531 OF OCT. 19, 1973). SOME SUPPORT FOR SPECULATION THAT GENUINE ABDUCTION HAS OCCURRED LIES IN FACT THAT ONE OF CABANAS'S PRINCIPAL LIEUTENANTS, RODOLFO MOLINA MARTINEZ ALIAS ISIDRO CASTRO FUENTES AND JOSE LUIS ORBE, WAS RECENTLY ARRESTED BY GOM;

(BOTH ALIASES APPEAR AMONG "SIGNERS" OF JUNE 2 COMMUNIQUE). NUMEROUS OTHER FOLLOWERS AND RELATIVES OF CABANAS ARE ALSO UNDER DETENTION. JOVA

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P 262244Z JUN 74 FM AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 2453 INFO DIA

MEXICO 5428

E.O. 11652: GDS TAGS: PINS MX

SUBJECT: CABANAS ISSUES THIRD COMMUNIQUE WITH "OUTRAGEOUS" DEMANDS; GOM MOUNTS MILITARY OPERATION AGAINST HIM

REFS: MEXICO 5282 AND PREVIOUS

1. SUMMARY: GUERRILLA GROUP HEADED BY LUCIO CABANAS BARRIENTOS HAS MADE PUBLIC ITS THIRD COMMUNIQUE DEMANDING, AMONG OTHER THINGS, 50 MILLION PESOS FOR RELEASE OF PRI GUBERNATORIAL CANDIDATE IN GUERRERO, SEN. RUBEN FIGUEROA. ALTHOUGH GOM HAS NOT YET MADE ANY PUBLIC REPLY, INTELLIGENCE INFORMATION INDICATES THAT GOM IS MOUNTING INTENSIVE MILITARY OPERATION DESIGNED TO ELIMINATE CABANAS AND IS APPARENTLY ACCEPTING RISK THAT FIGUEROA WILL BE KILLED. END SUMMARY.

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2. THIRD COMMUNIQUE IN SERIES ISSUED BY GUERRERO STATE GUERRILLA LEADER LUCIO CABANAS BARRIENTOS SINCE MAY 30 ABDUCTION OF SEN. RUBEN FIGUEROA WAS MADE AVAILABLE TO

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UNITED STATES DEPARTMENT OF STATE REVIEW AUTHORITY: NORMAN M. BOUTON DATE/CASE ID: 22 JUL 2002 200201632

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Document Number: 1974MEXICO05428

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MEXICO CITY PAPERS AFTERNOON OF JUNE 25. IT BEARS DATE OF JUNE 19.

- 3. PREAMBLE CONTAINS STATEMENT THAT COMMUNIQUE IS BEING ISSUED EVEN THOUGH GOM HAS NOT COMPLIED WITH DEMANDS FOR WITHDRAWAL OF TROOPS FROM CABANAS'S PART OF GUERRERO STATE AND ACCUSES SECDEF AND STATE GOVERNOR OF LYING WITH REGARD TO CONFINEMENT OF TROOPS AND STATE POLICE TO BARRACKS IN SAME AREA. IT ALSO INDICATES CONSIDERABLE KNOWLEDGE OF ON-GOING GOM SECURITY OPERATIONS IN SEVERAL SPECIFIC LOCALITIES AND ALLEGES THAT SOLDIERS IN CIVILIAN CLOTHES ARE BEING EMPLOYED.
- 4. HEART OF COMMUNIQUE IS SERIES OF DEMANDS DIRECTED TO FEDERAL GOVT, AS FOLLOWS: (A) RELEASE IN SIERRA OF GUERRERO OF "THE POLITICAL PRISONERS", WHOSE NAMES ARE TO BE SPECIFIED LATER; (B) DELIVERY OF 50 MILLION PESOS (US DOLLARS FOUR MILLION); (C) DELIVERY OF 100 M-1 RIFLES WITH 60 ROUNDS OF AMMUNITION FOR EACH AND OF 50 BROWNING 9-MM. PISTOLS WITH TWO CLIPS EACH; (D) BROADCAST THROUGHOUT MEXICO OF A TAPE RECORDING (NOT FURTHER SPECIFIED) WITH SPEECHES AND REVOLUTIONARY SONGS BY CABANAS GROUP; AND (E) RESOLUTION OF VARIOUS GRIEVANCES, INCLUDING THOSE OF STUDENTS AT RURAL TEACHERS' COLLEGES AND OF STRIKING WORKERS AT A CLOTHING FACTORY IN MONNTEARREY, AND SETTLEMENT OF LAND-TENURE, LOGGING AND COFFEE-GROWING ISSUES.
- 5. FURTHER SERIES OF DEMANDS DIRECTED TO GUERRERO STATE GOVT: (A) RELEASE OF ALL PRISONERS IN STATE, INCLUDING COMMON CRIMINALS, ONCE FEDERAL GOVT HAS RELEASED POLITICAL PRISONERS; (B) FORGIVENESS OF CAMPESINOS' DEBTS TO A "REGIONAL CACIQUE" IN EL ESPINALILLO, GRO.; (C) REMOVAL OF THE JUDICIAL POLICE COMMANDER IN ACAPULCO; (D) PUBLICA-TION OF NAMES AND PHOTOGRAPHS OF JUDICIAL POLICE PERSONNEL INVOLVED IN MARCH 1974 INCIDENT ELSEWHERE IN STATE, WHO ALLEGEDLY BEAT VARIOUS CITIZENS AND RAPED A GIRL.
- CONCLUDING PASSAGE OF COMMUNIQUE SAYS FIGUEROA'S LIFE WILL DEPEND ON COMPLIANCE WITH THESE DEMANDS (BUT SETS NO DEADLINE). FINALLY, DOCUMENT DEMANDS THAT IT AND TWO PREVIOUS COMMUNIQUES (MEXICO 4508 AND 4967) BE READ OVER

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ALL RADIO STATIONS AND NATIONAL TELEVISION CHANNELS.

SPECIFIC SCHEDULE CALLS FOR BROADCASTS AT 2000 HOURS JUNE 25
(RADIO) AND FROM 2200 TO 2400 HOURS SAME DATE (TELEVISION) AND AGAIN AT 0800 HOURS JUNE 26 (RADIO) AND AT 1900 HOURS
JUNE 26 (TELEVISION). END UNCLASSIFIED

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- 7. COMMENT: TO BEST OF OUR KNOWLEDGE, GOM HAS NOT YET TAKEN PUBLIC POSITION ON COMMUUNIQUE. CHARACTERIZATION OF CABANAS DEMANDS AS "OUTRAGEOUS" COMES FROM MORNING PRESS JUNE 26. INFLUENTIAL EXCELSIOR EDITORIALIZES THAT DEMANDS ARE INTOLERABLY EXCESSIVE, PERHAPS DESIGNED TO BRING REFUSAL AND THUS PROVIDE JUSTIFICATION FOR KILLING OF FIGUEROA. EDITORIAL CONTINUES THAT GOM CAN ONLY REFUSE DEMANDS AND APPLY THE LAW, BUT IN SUCH FASHION THAT "NOT ONE INNOCENT LIFE IS LOST.".
- 8. INTELLIGENCE INFORMATION, BEING REPORTED OTHER CHANNELS, INDICATES THAT GOM HAS NO INTENTION OF MEETING THESE DEMANDS AND HAS INSTEAD LAUNCHED INTENSIFIED MILITARY OPERATIONS IN 27TH AND 35TH MILITARY ZONES, BOTH IN GUERRERO. THIS DECISION CLEARLY ENTAILS RISK THAT FIGUEROA WILL BE KILLED (IF IN FACT HE IS STILL ALIVE).

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Enclosure No. 1 Page 1 Mexico A- 409

MEMORANDUM OF CONVERSATION

PARTICIPANTS: Lic. Jorge Palacios Treviño, Deputy Director of International Organization Affairs, Foreign Secretariat

T. Frank Crigler, First Secretary, American Embassy, Mexico, D. F.

SUBJECT: Conversation with Lic. Jorge Palacios Treviño

DATE & PLACE: September 5, 1974, Foreign Secretariat

Human Rights

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As instructed by the Department in State 184879, I raised with Lic. Palacios Treviño the subject of our Government's interest in the current human rights situation worldwide. I told him that the State Department was currently surveying friendly governments around the world to learn their views (a) with respect to the state of progress toward achieving human rights objectives and (b) with regard to cooperative measures that might be taken to stimulate further progress.

I added that the Department's interest in this matter was stimulated by the declaration of "the sense of Congress" in the most recent Foreign Aid Authorization bill, to the effect that the President should not extend economic or military assistance to countries which incarcerate their citizens for political reasons.

Palacios perked up immediately at my mention of the Congressional declaration and said he assumed what the Embassy wanted was a statement of the current human rights situation within Mexico. I insisted that this was not at all what we wanted, that there was no intention on our part whatever to meddle in Mexico's internal affairs, but that we simply wished to cooperate and consult with the Mexican Government on means by which other nations might be encouraged to pay greater attention to human rights values. I said he was no doubt aware that certain flagrant situations in other countries had attracted the attention of the US Congress and prompted its declaration.

Palacios said he would consult up the line to see whether the Mexican Government had any particular views on the human rights question that it wished to convey to us. I said we would be very grateful.

Cuba and the CAS

By way of changing the subject, I mentioned to Palacios that I had no recent news of OAS developments on Cuba and wondered if he had any. He said he had heard nothing that was not published in the newspapers, but added he was very interested in newspaper reports of softening of the US position on Cuba and asked me my opinion of their accuracy. I told him they certainly did not coincide with our official position as I understood it, and I recited that position: any action with respect to the sanctions against Cuba should be taken by the OAS as a whole, not unilaterally by individual members, and should be preceded by thorough consultation among all OAS members.

No change, then, Palacios said. Not substantially, I replied, adding however that I personally saw some greater flexibility now then earlier and a great emphasis upon consultation. Palacios recited Mexico's well-known position, based on its juridical objections to the 9th MFM resolutions, and added Mexico would support any move which would have the effect juridically of undoing those resolutions.

LOS Conference

In the light of what I knew to be Mexico's very active and constructive role at Caracas. I told Palacios that we had been somewhat surprised at President Echoverrie's strong statement that the conference had been a fracaso. I added that we did not share that conclusion and that our delegation felt that substantial progress had been made toward a definitive agreement. I asked him why he thought the President had taken such a negative view.

Palacios said he thought the President's remark should be considered in relative terms, that it was a matter of disappointment to him personally and that no definitive

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agreements had been signed despite many months of preparatory work. Moreover, he noted, the President's
extemporaneous remark had been made only a day or so
after the close of the conference, perhaps before the
President had had a chance to reflect at greater length
on its several achievements. Palacios noted, for example,
that indeed a consensus had clearly developed re a 200mile patrimonial sea, effectively sandbagging the "extremists"
who had unilaterally adopted a 200-mile territorial boundary.
He said he thought that many other items had reached the
point of agreement but could not be nailed down until a
few closely related topics had been finally ironed out.

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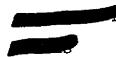
PAGE 01 MEXICO 07650 092047Z

72 ACTION ARA-10

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MEXICO 7650 DECAPTIONED

E.O. 11652: GDS

TAGS: PINT, PINS, MILI, MX

SUBJ: ALLEGED MILITARY DISCONTENT WITH PRESIDENT ECHEVERRIA

- 1. EMBASSY HAS HEARD THROUGH AN UNTESTED SOURCE OF TALK AMONG YOUNG GOM CIVILIAN OFFICIALS IN LATE AUGUST OF PLANS FOR A MILITARY COUP. EMBASSY CONTACT, QUOTING A SOURCE UNKNOWN TO EMBASSY BUT REPORTEDLY RELATED THROUGH FAMILY OR FRIENDSHIP TO SECRETARY OF DEFENSE, GENERAL CUENCA DIAZ, SAID GENERAL HAD TOLD HIM MILITARY HIGHLY DISSATISFIED WITH ECHEVERRIA GOVERNMENT. IT WAS A MISTAKE, GENERAL CONTINUED, TO THINK MILITARY GIVING ECHEVERRIA FULL SUPPORT AND, IN FACT, IF PRESENT DRIFT OF COUNTRY SHOULD CONTINUE, MILITARY WAS PREPARED TO TAKE STEPS TO REMOVE ECHEVERRIA.
- 2. PERHAPS RELEVANT TO FOREGOING IS COMMENT BY CARL MIGDAIL (PROTECT) OF U.S. NEWS AND WORLD REPORT, WHO RECENTLY TOLD AMBASSADOR OF VISIT TO PRI PRESIDENT REYES HEROLES. MIGDAIL SAID REYES TOLD HIM HE WAS DOING EVERYTHING POSSIBLE TO INCORPORATE THE ARMY INTO THE PRI, AS THIS HAD BEEN NEGLECTED IN RECENT YEARS. REYES ADDED THAT ONE LESSON LEARNED FROM CHILEAN EXPERIENCE WAS THAT THERE IS NO SUCH THING AS AN APOLITICAL ARMY IN LATIN AMERICA.



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3. IN CONVERSATION BETWEEN AMBASSADOR AND FAUSTO ZAPATA (SUBSECRETARY OF PRESIDENCY) ON SEPTEMBER 6, SUBJECT OF MEXICAN ARMY AROSE. ZAPATA SAID ARMED FORCES THOROUGHLY

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: SAM A. MOSKOWITZ

DATE/CASE ID: 27 JAN 1999 199800894

Date Printed: 11/25/1998



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REGRATED INTO GOM AND POSED NO PROBLEM.

4. COMMENT: EMBASSY CONSIDERS THAT FOREGOING MUST BE NOTED AND CAREFULLY CONSIDERED BY USG. AT SAME TIME, GREATEST CAUTION MUST BE EXERCISED TO AVOID OVERESTIMATING SIFNIFICANCE OF THESE BITS AND PIECES OF UNSUBSTANTIATED STORIES. THERE HAVE BEEN INDICATIONS OF DIVERGENCE BETWEEN THE MILITARY AND CIVILIAN LEADERSHIP OVER AIMS AND PROCEDURES OF CAMPAIGN

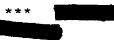
IN GUERRERO TO CAPTURE GUERRILLA LEADER CABANAS AND FREE SENATOR FIGUEROA. AFTER ARMY'S SUCCESS ON SEPTEMBER 8 IN FREEING SENATOR FIGUEROA IN REPORTED SHOOT-OUT WITH CABANAS' FORCES, (SEE 3053)). ARMY RESENTMENT OVER TERMS OF ITS MISSION MAY QUICKLY DIE.

EMBASSY ASSESSMENT, IN ANY CASE, CONTINUES TO BE THAT MEXICAN MILITARY ACCEPTS ROLE SUBORDINATE TO CIVILIAN LEADERSHIP AND HAS LONG DONE SO. THERE IS NO FIRM EVIDENCE OF SERIOUS DISCONTENT WITHIN ARMED FORCES AS A WHOLE OR WITHIN INFLUENTIAL GROUPS WITHIN THE MILITARY. EMBASSY FURTHER CONCLUDES THAT GRASS ROOTS SUPPORT FOR MILITARY ACTION TO REMOVE THE PRESIDENT IS WHOLLY LACKING, DESPITE DISCONTENT OF SOME ELEMENT OF SOCIETY ON THE EXTREMES OF RIGHT AND LEFT. EMBASSY WILL, OF COURSE, BE ALERT TO ANY FURTHER INFORMATION WHICH MIGHT BECOME AVAILABLE ON THIS SUBJECT.



*** Current Handling Restrictions ***

*** Current Classification ***





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ACTION ARA-20

INFO OCT-01 ISO-00 ARAE-00 SCCT-02 SCA-01 EB-11 IO-14 SY-04

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 729

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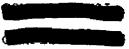
MEXICO 7696

EO 11652: GDS TAGS: PINS MX

SUBJECT: FIGUEROA KIDNAPPING

ARA/MEX - PLEASE PASS TO AMBASSADOR JOVA

1. LESS THAN TWENTY-FOUR HOURS AFTER NEWS OF RELEASE OF JOSE GUADALUPE ZUNO, MEXICO WAS ROCKED BY HEADLINES THAT THE MEXICAN ARMY HAD RESCUED SENATOR FIGUEROA SAFE AND SOUND IN SHOOTOUT WITH A PORTION OF LUCIO CABANAS GUERRILLA GROUP. ACCORDING TO SECRETARY OF NATIONAL DEFENSE, CUENCA DIAZ, WHO HAD BEEN IN ACAPULCO AT TIMES OF RESCUE, THE SHOOTOUT OCCURRED 0930 SEPT 8 IN AREA SOUTHEAST OF VILLAGE ATOYAC DE ALVAREZ, GUERRERO. ARMY SUFFERED ONLY MINOR WOUND TO ONE SOLDIER WHILE INFLICTING HEAVY CASUALTIES (NUMBER UNSPECIFIED) ON THE GUERRILLA GROUP. FIGUEROA'S NEPHEW, SECRETARY, AND TWO OTHER AIDES WERE ALSO RESCUED ALTHOUGH TWO HAD SUPERFICIAL WOUNDS. ACCORDING TO CUENCA DIAZ, CABANAS WAS NOT WITH THE GROUP, OR IF HE WAS, ESCAPED. CUENCA CONCLUDED HIS SHORT STATEMENT BY SAYING ARMY HAD PERFORMED ITS MISSION OF RESCUING FIGUEROA, AND PLEDGED



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TO CONTINUE ITS PURSUIT OF CABANAS AND HIS "GANG OF THUGS".

UNITED STATES DEPARTMENT OF STATE REVIEW AUTHORITY: SAM A. MOSKOWITZ

DATE/CASE ID: 29 JAN 1999 199800894

CONFIDENCE

FIGUEROA WAS FLOWN IMMEDIATELY TO ACAPULCO AND FROM ERE TO MEXICO CITY MILITARY HOSPITAL FOR A THOROUGH 33-44 POUNDS BUT OTHERWISE WAS IN REASONABLY GOOD HEALTH. CUENCA DIAZ SAID FIGUEROA WOULD ANSWER REPORTERS' QUESTIONS WITHIN NEAR FUTURE, BUT FAMILY MEMBERS SAID SEPT 9 THAT FIGUEROA WOULD ANSWER QUESTIONS PUBLICLY WHEN PRESIDENT ECHEVERRIA AUTHORIZED IT. LATE ON SEPT 9 FIGUEROA RETURNED TO HIS HOME, DODGING REPORTERS. LATER HIS SON SAID THE SENATOR WOULD HOLD A PRESS CONFERENCE ON SEPT 12. REPORTERS HAVE NOT HAD A CHANCE THUS FAR TO INTERVIEW ANY OF THOSE RESCUED WITH FIGUEROA.

- 3. FIGUEROA'S SON, LIC. RUBEN FIGUEROA ALCOCER, ACKNOWLEDGED TO REPORTERS THAT SHORTLY BEFORE THE SENATOR'S RESCUE, AGREEMENT HAD BEEN REACHED BETWEEN FAMILY AND CABANAS GROUP FOR PAYMENT OF 50 OR 100 MILLION PESO RANSOM. HE CLAIMED, HOWEVER, THAT THE ARMY HAD SECURED FIGUEROA'S RELEASE BEFORE THE TRANSACTION WAS TO HAVE TAKEN PLACE AND THAT NOT A CENTAVO WAS PAID. FAMILY SOURCES WERE ALSO QUOTED AS SAYING THAT WHEN FIGUEROA WAS RESCUED, HE WAS "ACCOMPANIED BY A NUMBER OF CAMPESINOS".
- 4. ACCORDING TO ONE SOURCE (RELIABILITY NOT TESTED) AVAILABLE TO THE EMBASSY, THE TRUCKERS UNION WHICH FIGUEROA HEADED DID PAY A 25 MILLION PESO RANSOM, AND AGREED TO PAY A SECOND RANSOM AFTER HIS RELEASE.
- 5. COMMENT: LIKE THE ZUNO CASE, THE OFFICIAL VERSION OF FIGUEROA'S LIBERATION PLACES A HEAVY BURDEN OF CREDULITY UPON OBSERVERS. AMONG THE UNANSWERED QUESTIONS AND QUESTIONABLE "FACTS", THUS FAR, ARE THE FOLLOWING:
- A. FIGUEROA WAS RESCUED UNHARMED IN A SHOOT-OUT, THOUGH SOME OF HIS AIDES WERE REPORTEDLY SLIGHTLY WOUNDED;
- B. FIGUEROA'S RESCUE WAS EFFECTED AT A TIME WHEN ARMY AND OTHER PUBLIC AUTHORITIES HAD THEIR PRIMARY

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ATTENTION -- AND RESOURCES -- FOCUSED ON THE ZUNO CASE. ARMY, WHICH HAD NOT LOOKED TOO GOOD IN EFFORTS THUS FAR, WAS SUDDENLY SUCCESSFUL.

- C. MILITARY CASUALTIES (SEE ABOVE) WERE VIRTUALLY NIL.
- D. CABANAS WAS NOT CAPTURED.

Date Printed: 11/25/1998

E. FIGUEROA WAS SIGHTED IN COMPANY OF "PEASANTS" NOT FURTHER IDENTIFIED: WERE THEY KIDNAPPERS?



CHANNEL: n/a

AUTHORITIES, WITH OR WITHOUT FIGUEROA'S AGREEMENT,

EM CLEARLY TO BE SHIELDING HIM AND HIS RESCUED AIDES FROM
HE PRESS. WHY?

- G. THE UNSUBSTANTIATED REPORT MENTIONED IN PARA 4 ABOVE RAISES THE POSSIBILITY THAT FIGUEROA WAS, UNDER THE TERMS OF SOME UNDISCLOSED RELEASE AGREEMENT, READY FOR "DELIVERY" BEFORE THE SHOOT-OUT OCCURRED.
- 6. WHAT EVER THE TRUTH OF THE FIGUEROA RESCUE -- AND SOME MEXICAN OBSERVERS, SUCH AS EXCELSIOR, ARE PRESSING FOR EXPLANATIONS -- IT IS CLEAR THAT GOM AND ECHEVERRIA ON THE BASIS OF OFFICIAL ACCOUNTS THUS FAR PROFIT HEAVILY FROM THE OUTCOME OF THE FIGUEROA AND ZUNO CASES. THE GOVERNMENT APPEARS TO HAVE HELD FIRM IN ITS POSITION OF NOT DEALING WITH TERRORISTS, THE VICTIMS ARE SAFELY AT HOME, AND THE MEXICAN MILITARY COMES UP SMELLING OF ROSES. THIS IS ALMOST TOO MUCH OF A HAPPY ENDING AND THE EMBASSY HAS DOUBTS WHICH SEEM TO BE SHARED BY MEXICAN OBSERVERS.
- 7. DATT COMMENT: THE ARMY IN FACT, AT THE MOMENT SEEMS TO BE PROFITING MOST FROM FIGUEROA'S RELEASE. SUCH EDITORIAL COMMENTS AS "HONOR TO THE ARMY OF THE REVOLUCION"; "THOSE WHO TRANSGRESS ESTABLISHED ORDER KNOW WELL THEY WILL CONTEND WITH THE GUAREIAN OF THE (SIC) INSTITUTIONS, THE ARMY" ARE ILLUSTRATIVE OF THE PUBLIC REACTION. MOREOVER, DAO BELIEVES THERE WERE MORE CASUALTIES ON BOTH SIDES THAN PUBLISHED. SUPPOSEDLY, UP TO SIX GUERRILLAS HAVE BEEN KILLED, INCLUDING LUCIA CABANAS'

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COUSIN, LUIS CABANOS. IN SUM, THE ARMY'S REPUTATION HAS SUDDENLY BEEN REDEEMED AND IS BEING WIDELY LAUDED. BRANDIN

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*** Current Handling Restrictions *** n/a

*** Current Classification ***

CONFIDENTIAL



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47 ACTION ARA-20

INFO OCT-01 ISO-00 SCCT-02 IO-14 AID-20 USSS-00 SY-04

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RSC-01 PRS-01 SP-03 SS-20 USIA-15 DRC-01 /137 W

R 132354Z SEP 74 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 3822 INFO DIA WASHDC

TEXICO 7855

E.O. 11652: GDS TAGS: MX PINS

SUBJECT: FIGUEROA KIDNAPPING CASE

REF: MEXICO 7696

- 1. SUMMARY: FIVE DAYS AFTER FIGUEROA'S "LIBERATION" BY THE MEXICAN ARMY, LITTLE MORE IS KNOWN OF THE CIRCUMSTANCES OF THAT EVENT THAN WAS REVEALED INITIALLY BY SEC. OF NATIONAL DEFENSE CUENCA DIAZ (SEE REF). HOWEVER, THE BITS AND PIECES THAT ARE AVAILABLE HAVE DONE LITTLE TO DISPEL DOUBTS AND QUESTIONS WHICH ARE REPORTED IN REF, AND INDEED TEND TO CONFIRM IMPRESSION THAT OFFICIAL GOM VERSION IS NOT WHOLE TRUTH. END SUMMARY.
- 2. AFTER FOUR DAYS OF DODGING REPORTERS SENATOR RUBEN FIGUEROA MADE HIS FIRST PUBLIC APPEARANCE BEFORE MEXICAN SENATE SEPTEMBER 12, WHERE HE GAVE 30 MINUTE NATIONALLY TELEVISED ADDRESS. APPEARANCE HAD ALL THE FANFARE OF A MINOR INFORME, COMPLETE WITH CAMPESINO BANDS OUTSIDE SENATE CHAMBER AND HERO'S WELCOME INSIDE.
- 3. TERMING "THE DETAILS OF MY CAPTIVITY SECONDARY" FIGUEROA DECLARED THAT THE GREAT LESSON OF HIS KIDNAPPING WAS THAT MEXICO HAD NO PATH TO FOLLOW BUT THAT OF

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INSTITUTIONS, FULFILLMENT OF THE LAW, RESPECT FOR POPULAR OPINION AND THE EMPLOYMENT OF DEMOCRATIC PROCEDURES. FIGUEROA SAID HE HAD GONE TO THE MOUNTAINS TO UNDERSTAND

- UNITED STATES DEPARTMENT OF STATE REVIEW AUTHORITY: SAM A. MOSKOWITZ DATE/CASE ID: 27 JAN 1999 199800894

THAND THE "EXPATRIATES OF THE SIERRA." ACKNOWLEDGING LURE IN HIS MISSION, FIGUEROA NONETHELESS PROFESSED TO NOW THE CHARACTER OF CABANAS (NOT MENTIONED BY NAME) --COWARDLY, CRUEL, DICTATORIAL, AND DISRESPECTFUL TOWARD WOMEN AND LAZARO CARDENAS.

- 4. IN HIS INITIAL ENCOUNTER WITH "THAT PERSON", FIGUEROA SAID HE HAD TOLD CABANAS ALL THAT THE ECHEVERRIA ADMINISTRA-TION HAD DONE FOR THE STATE OF GUERRERO -- TRIPLING OF HIGH-WAY SYSTEM, BUILDING 200 SCHOOLS, ETC. CABANAS, APPARENTLY UNIMPRESSED AND OVERRIDING OBJECTIONS OF SOME OF HIS FOLLOWERS, HAD TAKEN HIM CAPTIVE. FIGUEROA SAID HE AND HIS COMPANIONS HAD BEEN SUBJECTED TO THE CRUELEST OF PHYSICAL AND PSYCHOLOGICAL TREATMENT.
- 5. FIGUEROA PRAISED ECHEVERRIA'S DECISION NOT TO DEAL WITH CRIMINALS AND BY NAME LAUDED HIS RESCUERS, FROM CUENCA DIAZ TO THE LT. COL. WHO HAD "PERSONALLY ACHIEVED" HIS RELEASE.
- 6. IN SUBSECUENT CONVERSATION WITH PRESS REPORTED BY EXCELSIOR, FIGUEROA GAVE A FEW ADDITIONAL DETAILS: A) IN AN EARLIER NIGHT SHOOTOUT BETWEEN HIS CAPTORS AND THE ARMY, FIGUEROA HAD REALIZED HE COULD HAVE FLED IN THE CONFUSION AND DETERMINED TO DO SO AT THE NEXT OPPORTUNITY; B) HE AND HIS FELLOW CAPTORS HAD BEEN FED TABLESCRAPS; C) CABANAS WAS SMALL, ROUND-FACED, MUSTACHIOED, AND ALWAYS WORE A LEATHER JACKET; D) CABANAS WAS INFESTED WITH LICE AND TICKS AND COMPLAINED CONSTANTLY OF MOSQUITOS; E) CABANAS'S GROUP AT TIMES NUMBERED 200; F) CABANAS HAD A HIGH OPINION OF HIMSELF AND HAD TAKEN THE TITLE OF "COMMANDER" OF THE REVOLUTIONARY FORCES; AND G) ONLY WHEN FIGUEROA TOLD HIS CAPTORS THEY OUGHT TO SHOOT HIM DID THEY BECOME CONCERNED AND IMPROVE CONDITIONS OF HIS CAPTIVITY.
- 7. ON SEPTEMBER 11, SEC. OF NATIONAL DEFENSE FIELDED A FEW REPORTERS' QUESTIONS, STATING THAT THERE HAD OCCURRED AN EARLIER ENCOUNTER ON SEPTEMBER 7, (FIGUEROA MADE NO MENTION OF THIS). ACCORDING TO CUENCA DIAZ, CABANAS' GROUP

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SUFFERED TWO CASUALTIES ON THE 7TH, FIFTEEN ON THE 8TH. IN THE LATTER, FIGUEROA HAD JUMPED UP IN THE HEAT OF FIRE AND RUN MAKING HIS ESCAPE ACROSS 30 METERS DISTANCE SEPARATING THE TWO GROUPS.

8. NONE OF FIGUEROA'S COMPANIONS HAS BEEN INTERVIEWED BY THE PRESS AND THEIR EXACT WHEREABOUTS ARE NOT ALL KNOWN. CURIOUS PRESS MEMBERS REPORT BEING TOLD THEY'RE "ON VACATION" OR RESTING IN SECLUSION ON DOCTORS' ORDERS. AUTHORITIES HAVE CONFIRMED THAT LUIS CABANAS, COUSIN OF LUCIO WHO HAD

ACTED AS INTERMEDIARY IN ARRANGING THE INITIAL MEETING, WAS KILLED IN THE FINAL ENCOUNTER. THE "BANDITS" KILLED IN THE SEPT 8 SHOOTOUT HAVE ALL BEEN INTERRED.

9. ON SEPTEMBER 11 MEXICAN PRESS REPORTED POLICE RAID AND ARREST (DATE UNCERTAIN BUT PROBABLY SEPT 9 OR 10) OF EXTREME LEFTIST MAGAZINE PORQUE? EDITORS ROGER AND HERNAN MENENDEZ RODRIGUEZ (BROTHERS). ON SEPTEMBER 11 LIC. JOSE ROJO CORONADO, ATTORNEY WITH THE COMMITTEE FOR PHYSICAL AND MORAL DEFENSE OF POLITICAL PRISONERS IN MEXICO HELD PRESS CONFERENCE (PRIMARILY WITH FOREIGN CORRESPONDENTS. OUR SOURCE OF INFORMATION) AT WHICH HE SPECULATED THAT REASON FOR RAID WAS INTENTION OF POROUE? TO PUBLISH A DIFFERENT VERSION OF FIGUEROA RELEASE. HE STATED ALL COPIES OF NEXT ISSUE WERE SEIZED; (PORQUE? IS NOT AVAILABLE ON STREETSTANDS THIS WEEK.) FOREIGN CORRESPONDENTS ALSO SOURCE OF INFORMATION THAT SUBSECRETARY OF PRESIDENCY FAUSTO ZAPATA ACKNOWLEDGED IN OFF-THE-RECORD SESSION THAT POLICE HAD ACTED "OUTSIDE JURIDICAL NORMS" IN MAKING RAID AND ARRESTS BUT MAINTAINED THAT REASON FOR ARRESTS WAS PROBABLE LINK OF PORQUE? WITH CABANAS GROUP.

10. COMMENT:

EMBASSY DOUBTS REGARDING VERACITY OF GOVERNMENT VERSION ARE HEIGHTENED BY THE SCANTY INFORMATION, SECLUSION OF FIGUEROA (AND HIS COMPANIONS) AND HIS ESSENTIALLY NON-INFORMATIVE SPEECH, AND FINALLY ARREST OF PORQUE? EDITORS AND IMPOUNDMENT OF FORTHCOMING EDITION.

WHILE FIRM BASIS FOR A DEFINITIVE JUDGMENT IS LACKING, CONFIDENTIAL

CONFIDENTIAL

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EMBASSY IS CONVINCED THAT OFFICIAL VERSION HAS AT LEAST BEEN DOCTORED TO MAXIMIZE POLITICAL BENEFIT TO THE GOVERNMENT IN GENERAL AND THE MEXICAN ARMY IN PARTICULAR. BRANDIN



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*** Current Handling Restrictions *** n/a

*** Current Classification ***

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

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076206

R 040051Z DEC 74 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 5065

MEXICO 10138

E.O. 11652: N/A TAGS: PINR MX

SUBJ: DEATH OF LUCIO CABANAS BARRIENTOS

REF: MEXICO 5563

- 1. SECRETARIAT OF NATIONAL DEFENSE ANNOUNCED DEC 2 THAT TROOPS OF THE 27TH MILITARY ZONE EARLIER THAT DAY HAD ENGAGED GUERRILLA GROUPS OF LUCIO CABANAS NEAR TECPAN DE GALEANA, GUERRERO. CABANAS AND TEN FOLLOWERS WERE KILLED. ON NOVEMBER 30 CABANAS HAD LOST SEVENTEEN MEN AND A CACHE OF WEAPONS AND AMMUNITION IN A CONFRONTATION WITH THE ARMY.
- 2. CABANAS, LEADER OF A GUERRILLA BAND SINCE 1967, IS CREDITED WITH RESPONSIBILITY FOR DEATHS OF 150 SOLDIERS AND THIRTY KIDNAPPINGS, THE MOST SPECTACULAR OF WHICH WAS THE JUNE 1974 ABDUCTION OF GUERRERO SENATOR (ELECTED GOVERNOR DEC 1) RUBEN FIGUEROA, WHO WAS RESCUED BY THE MEXICAN ARMY SEPT 8.
- 3. CABANAS'S BODY HAS BEEN POSITIVELY IDENTIFIED BY THREE PERSONS, ONE A FELLOW EXTREMIST, REPORTEDLY THE SOURCE OF INFORMATION LEADING THE ARMY TO CABANAS. AUTHENTICITY OF CABANAS'S DEATH DOES NOT APPEAR TO BE IN DOUBT.
- 4. COMMENT: ALTHOUGH SIZE OF CABANAS GROUP MAY HAVE VARIED

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(CERTAINLY ESTIMATES OF IT DID) THE MORE THAN 40 GUERRILLAS KILLED SINCE SEPT PLUS THE DEATH OF CABANAS HAS SURELY DECIMATED THE RANKS AND LEADERSHIP OF THE GUERRILLAS IN THE STATE OF

UNITED STATES DEPARTMENT OF STATE

REVIEW AUTHORITY: SAM A. MOSKOWMETED

DATE/CASE ID: 27 JAN 1999 199800894

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GUERRERO, AND WE BELIEVE THE GOM WILL ENJOY A RESPITE, AT LEAST IN THAT AREA.

ARMY WILL OF COURSE RECEIVE MERITED ACCOLADES FOR HAVING FINALLY ELIMINATED THE ONLY TERRORIST KNOWN BY NAME TO THE MEXICAN PUBLIC. IT SHOULD BE RECALLED, HOWEVER, THAT CABANAS'S ACTIVITY WAS GEOGRAPHICALLY RESTRICTED. TO EXTENT THAT TERRORIST ACTIVITY IN MEXICOREPRESENTS THREAT TO POLITICAL STABILITY, (AND WE BELIEVE IT MINIMAL) THE ANONYMOUS VIOLENCE OF URBAN TERRORIST GROUPS IS CAUSE FOR GREATER CONCERN THAN CABANAS EVER WAS.
BRANDIN

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*** Current Handling Restrictions *** n/a

*** Current Classification ***

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ACTION ARA-10

INFO OCT-01 ISO-00 SCCT-01 SY-04 NIC-01 CIAE-00 DODE-00

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PRS-01 SP-02 SS-15 USIA-06 USSS-00 SSO-00 NSCE-00

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R 272327Z DEC 74 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 5397 AMCONSUL CIUDAD JUAREZ UNN AMCONSUL GUADALAJARA UNN AMCONSUL HERMOSILLO UNN AMCONSUP MATAMOROS UNN AMCONSUL MAZATLAN UNN AMCONSUL MERIDA UNN AMCONSUL MONTERREY UNN AMCONSUL NUEVO LAREDO UNN AMCONSUL TIJUANA UNN

MEXICO 10772

E.O. 11652: GDS TAGS: PINS, MX

SUBJECT: TREND OF TERRORISM IN MEXICO

REF: A. MEXICO 7855; B. MEXICO 7696; C. MEXICO 10256

BEGIN SUMMARY: NEWS THAT A RANSOM PAYMENT PLAYED A ROLE IN THE RELEASE OF SENATOR RUBEN FIGUEROA, TOGETHER WITH THE GOM'S HANDLING OF TWO OTHER CASES AND WITH THE RECENT TREND OF EVENTS IN OTHER TERRORIST ACTIVITY, LEAD US TO SPECULATE THAT GOM MAY HAVE FOUND A PECULIARLY MEXICAN FORMULA FOR DISCOURAGING POLITICAL KIDNAPPINGS, BUT WITH THE RESULT OF FORCING TERRORISM IN OTHER DIRECTIONS. END SUMMARY.

> UNITED STATES DEPARTMENT OF STATE PAREVIEW AUTHORITY: SAM A. MOSKOWITZ DATE/CASE ID: 11 JUN 1999 199800894 DECLASSIFY AFTER: 25X1, REASON: 1.5(A) UPGRADE TO CONFIDENTIAL

WITHHELD B1 PORTIONS

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 BURIED IN A DEC. 22 POLITICAL COLUMN IN THE MEXICO CITY DAILY EL UNIVERSAL WAS A REPORT THAT SENATOR RUBEN FIGUEROA TOLD REPORTERS TWENTY-FIVE MILLION PESOS (TWO

ACCORDING TO WHAT FIGUEROA ALLEGEDLY SAID, A SECOND TWENTY-FIVE MILLION PESOS PAYMENT WAS TO BE MADE, BUT WAS OVERTAKEN BY THE EVENT OF HIS RELEASE. REPORT DOES NOT MAKE CLEAR WHO PAID RANSOM.

2. COMMENT: FIGUEROA'S ALLEGED STATEMENT DOES NOT LITERALLY CONTRADICT THE GOM VERSION OF HIS RELEASE, WHICH NEVER ADDRESS
THE QUESTION OF RANSOM. HOWEVER,
IT DOES CONTRADICT STATEMENTS MADE BY FIGUEROA'S FAMILY AND THE PRESIDENT OF THE MEXICAN TRUCKERS UNION, AND IT DOES CONTRADICT THE IMPRESSION LEFT BY THE OFFICIAL GOM VERSION, WHICH WAS THAT FIGUEROA'S RELEASE WAS DUE
ENTIRELY TO THE MEXICAN ARMY'S ACTION IN "LIBERATING"

ENTIRELY TO THE MEXICAN ARMY'S ACTION IN "LIBERATING" HIM. THE STORY IS EMBARRASSING THEREFORE AND WE SUSPECT IT WILL BE IGNORED OFFICIALLY, OR, IF IT GETS MORE ATTENTION THAN IT HAS THUS FAR, NIED. # WE DOUBT, HOWEVER, ANY PAPER WOULD PRINT SUCH A STORY UNLESS FIGUEROA IN FACT DID MAKE SUCH A STATEMENT.

ASSUMING FIGUEROA DID MAKE THE STATEMENT, AND THAT IT IS TRUE -- A REPORT (REF B, PARA 4) THAT THE TRUCKERS UNION WAS SAID BY ONE SOURCE TO HAVE PAID A RANSOM OF THIS AMOUNT LENDS CREDENCE -- THE QUESTION THEN BECOMES WHAT TO MAKE OF THE GOM VERSION.

IT IS HELPFUL TO RECALL THAT IN THE LAST FIFTEEN MONTHS THE MAJOR POLITICAL FIGURES WHO HAVE BEEN KIDNAPPED (ZUNO, FIGUEROA, ANTHONY DUNCAN WILLIAMS) HAVE BEEN RELEASED UNHARMED, WHEREAS THE VICTIMS OF THE PRIVATE SECTOR (ARANGUEREN, MARGARET SAAD) HAVE BEEN MURDERED. IN BOTH THE ARANGUREN AND SAAD CASES, RANSOM REPORTEDLY WAS PAID; THUS COMPLIANCE WITH KIDNAPPERS' DEMANDS DOES NOT ASSURE RELEASE OF THE VICTIM.

FOLLOWING THE SAME LOGIC, WE DOUBT THAT THE SUCCESS-

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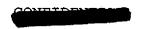
FUL CONCLUSIONS OF THE CASES IN WHICH THE GOM WAS THE RECIPIENT OF TERRORIST DEMANDS WERE THE RESULTS OF THE GOM PRIVATELY ACCEDING TO THOSE DEMANDS. RATHER, WE THINK THE GOM IS WILLING TO PLAY AS ROUGHT A GAME AS THE TERRORISTS, AND EMPLOYS A PRAGMATIC POLICY DESIGNED TO OBTAIN RELEASE OF HOSTAGES, BUT IN SUCH A WAY AS TO DISCOURAGE FUTURE KIDNAPPINGS. THE CONFLICT BETWEEN THESE TWO GOALS IS RESOLVED BY THE GOM BEING ABLE TO ACT EVEN IN VIOLATION OF ITS OWN LAWS, WITHOUT FEAR OF PUBLIC CRITICISM.

THIS TENTATIVE CONCLUSION IS SUPPORTED BY THE GOM
HANDLING OF THE TORRES ENRIQUEZ CASE (REF C) DEC. 5, IN
WHICH A GOM DECEPTION WAS THE KEY TO THE RELEASE OF
HOSTAGES AND THE CAPTURE OF TORRES. IT IS SUPPORTED ALSM
BY A REPORT THAT IN THE ZUNO CASE THE GOM WON ZUNO'S SAFE
RELEASE

1.5(C)

THUS, IN THE FIGUEROA CASE, WE DO NOT BELIEVE THAT KNOWLEDGE THAT A RANSOM PAYMENT WAS MADE ALONE IS REASON TO DENY THE KEY ELEMENT OF THE GOM VERSION OF FIGUEROA'S RELEASE, THAT A GUN BATTLE BETWEEN THE MEXICAN ARMY AND THE CABANAS GROUP TOOK PLACE. BUT, GIVEN WHAT WE KNOW OF THE WAY IN WHICH THE TORRES ENRIQUEZ AND ZUNO CASES WERE HANDLED, WE DO SUSPECT THAT A RANSOM PAYMENT SOMS-HOW CONTRIBUTED TO FIGUEROA'S SAFE RELEASE AND TO THE ARMY'S MIRACULOUSLY SUCCESSFUL COMPLETION OF ITS ASSIGNED MISSION. A POSSIBLE SCENARIO IS THAT THE ARMY SIMPLY AMBUSHED THE CABANAS GROUP AS SOON AS FIGUEROA WAS EXCHANGED FOR THE RANSOM PAYMENT. THUS, DESPITE THE FACT THAT A RANSOM WAS PAID, THE GOM IS BY NO MEANS DEPARTING FROM ITS TOUGH POLICY ON POLITICAL KIDNAPPINGS. PAYMSNT OF RANSOM IS SIMPLY ONE TACTIC THE GOM MAY USE WHEN THE CIRCUMSTANCES WARRANT.

IF THE FOREGOING IS CORRECT, MEXICAN GUERRILLA GROUPS MAY EVENTUALLY CONCLUDE THAT A GOVERNMENT WHICH REFUSES TO BE BOUND BY CONSTITUTIONAL LIMITATIONS IS IN TOO STRONG A POSITION FOR POLITICAL KIDNAPPINGS TO SUCCEED (ALTHOUGH RELEASE OF IMPRISONED COMPATRIOTS AND PUBLICITY WILL CONTINUE TO BE POWERFUL INCENTIVES). WHEN THE MOTIVE



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IS SIMPLY FINANCING, GUSRRILLA GROUPS MAY STO KID-NAPPINGS OF PRIVATE PERSONS. WHEN THE OBJECTIVE IS MORE GENERAL -- TO PROVOKE LACK OF CONFIDENCE IN THE GOVERN-MENT'S ABILITY TO MAINTAIN ORDER -- THESE GROUPS MAY TURN TO OTHER FORMS OF TERRORISM, SUCH AS THE RECENT BOMBINGS IN MEXICO CITY. JOVA

NOTE BY OCT: # AS RECEIVED.

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() DENY HANDLING INDICATOR () DECLASSIFY () DECLASSIFY NO. H. L EO Citations Department o FBO AID IN PART INFO: ALL CONSULATES IN MEXICO (POUCH) () CLASSIFY as () 8 or () C Sees 19 () DOWNGRADE TS to () 8 or () 6 FOIA Exemptions. ECCUPIENT ANALYSIS E.O. 11652: N/A Exemptions. TAGS: MX PINT SHUM AGR FROM American Embassy MEXICO DATE: 16 February 1975 LAB TAR XMB HUMAN RIGHTS IN MEXICO SUBJECT : AIR NAUV OSD A) STATE 12320 B) MEXICO 3309, April 19, 1974 C) MEXICO A 36 February 9, 1975 A) STATE 12320 REFS D) MEXICO 7721/Jan 24, 1975) E) MEXICO 1400 (Jan 7, 1975) F) MEXICO 10143 (para 7) (Dec 3, 1974) SUGGESTED DISTRIBUTION Given Mexico's system of one party rule, the executive branch of the Government of Mexico since circa 1930 has had a certain flexibility in the degree to which it adheres to constitutional exigencies protecting human rights. As a result, we would not place Mexico in the category of "countries which are relatively exemplary in their concern POST ROUTING for human rights" without some qualification. Neither, Action Info. Initials however, does Mexico fall into that group of nations where AMB/ "the possibility emerges of a pattern of human rights violations." DCM PO! Several constitutional guarantees and other circumstances ECON provide a considerable measure of security to the CONS individual Mexican citizen and to Mexican citizens acting collectively. The Mexican Constitution (Chapter I) of 1917 grants express protection to the exercise of the AID various freedoms detailed in paragraph 4 of reference A. บรเร The Constitution does distinguish between the rights of Mexican citizens and foreigners 3 4 in some instances, such as employment (Article 32) and due process (in the CG specific case of a foreigner's right to remain in Mexico -Article 33). FILE Action Takens Much-1 CHRON Dates For Department Use Only FORM 10-64 DS-323 Contents and Classification Applying d 52: initials: Drafted by: POL: JRHamilton: ib 2-14-75 844 POL: HLEstep Clearances: P/R:RSSampson Py LEGATT: JJWALNter ST S. GOVERNMENT PRINTING OFFICE

MEXICO A- 52 Page 2

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To enable the individual citizen to safeguard himself against violation of these guarantees, Mexican legal practice provides the writ of amparo, a uniquely Mexican (as it has developed here) protection provided the individual Mexican citizen against "coercive and abusive acts of (governmental) authorities". For a brief, scholarly description of the amparo, the Department may wish to consult A Revised Guide to the Law and Legal Literature of Mexico, by Helen J. Clagett and David M. Valderrama, Library of Congress (Washington, 1973), especially pages 38-61 on "Writ of Amparo, Judicial Review, and Protection of Individual Rights".

A second factor (exercised in conjunction with the amparo) is the limited practice of jurisprudencia of the Mexican judiciary. "Jurisprudence, the closest definition to common law binding precedent, can be established by a line of five successive amparo decisions of the Supreme Court..."*

Finally, there exists, as a result of the Mexican revolution of 1910-1920, a set of internalized political attitudes and beliefs widely and commonly held by Mexicans regarding the way in which government should behave. Public opinion thus exercises a brake on excesses of authority in the broad sense, though it may not prevent violations of human rights in specific or isolated cases. It should also be noted that GOM leaders share those attitudes and for the most part genuinly attempt to give life to the revolutionary inheritance emphasizing "social justice" and various kinds of individual and collective freedoms. Mexico's forty-five years of political stability is in part due to the fact that the Mexican Government has not engaged in practices which amount to a pattern of human rights violations.

Reference B, while prepared in response to a more narrow requirement, is therefore a still accurate description of the kind of violations of human rights and the circumstances under which they might occur in Mexico. Reference C supplements the earlier report in the area of GOM efforts to combat terrorist violence, an area accounting for a considerable portion of the violations which do occur.

*Clagett and Valderrama, pg. 48.







MEXICO A-5 2 Page 3

References D-F are recent spot reports which inter alia treat GOM violations (or possible violations in the instance of Ref F) of human rights of groups or individuals exclusive of those allegedly engaged in terrorist activity. these instances of orther (uncited) specific incidents which have occurred since Reference B was drafted would lead us to alter the judgment expressed in that report. should be noted (regarding the "deprivation of right to participate in Government^a) that the coalition of interests (including some groups not represented in the ruling party, the PRI) which has governed Mexico since 1930 is unlikely to recognize electoral victories of opposition parties in any election more important than federal deputy contests. widely believed that the PRI resorted to frauds in two gubernatorial elections to deny the major opposition party electoral victories in 1968 and 1969.

さいことが、それでは、実際の情報を見ないとは、自然の情報を表現を表現してある。 これかられるなどのないないからないできませんできょうしょうしょうしょう

On the positive side, we would cite two developments during the past year which will enhance Mexican observance of human rights. In late 1974 Mexico amended its federal constitution to provide that "men and women are equal before the law." Second, in 1974 the GOM passed legislation significantly enlarging the capacity of its courts to try penal cases. This will remove a physical and a primary cause of one area of human rights violations - prolonged incarceration without trial.

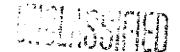






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P R 160005Z JUL 75 FM AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 8899 INFO AMEMBASSY SAN JOSE

MEXICO 6283

E.O. 11652: N/A

TAGS: PFOR, OCON, OAS, MX

SUBJECT: MEXICAN-CUBAN RELATIONS: SAN JOSE CONFERENCE

REF: MEXICO 6238

1. ON EVE OF SAN JOSE MEETING ON RIO TREATY (WHERE GOM HOPES MEASURES WILL BE TAKEN TO LIFT CUBAN SANCTIONS), DEVELOPMENTS IN PAST FEW DAYS REFLECT SOME CONCERN AND UNEASE ON PART OF MEXICANS.

- 2. EMBASSY HAS REPORTED (REFTEL) THAT FOREIGN SECRETARY RABASA NOW PLANS TO ATTEND SAN JOSE MEETING. THERE HAD EARLIER BEEN INDICATIONS THAT HE WOULD ATTEND "IF NECESSARY" (I.E., IN SUPPORT OF GOM POLICY) BUT UNTIL RECENTLY GOM HAD APPARENTLY NOT FELT RABASA'S PRESENCE ESSENTIAL.
- 3. PRESIDENT ECHEVERRIA ON JULY 11 (IN DAKAR) REPORTEDLY RESPONDING TO CRITICISM AT HOME OF HIS PLANNED VISIT TO CUBA, STATED THAT HE HAD INCLUDED CUBA ON HIS ITINERARY AT THE REQUEST OF MEXICAN BUSINESSMEN.
- 4. COMMENTS: ANY CRITICISM OF ECHEVERRIA ON CUBAN VISIT HAS BEEN MUTED, AND REASON FOR HIS STATEMENT MAY



PAGE 02 MEXICO 06283 160027Z

HAVE BEEN OTHER THAN THAT CITED. AT LEAST ONE COLUMNIST (EXCELSIOR) CONSIDERED ECHEVERRIA'S STATEMENT MOTIVATED BY NOTORIOUS "CARLOS" TERRORIST AFFAIR IN PARIS AND EXPULSION BY GOF OF THREE CUBAN DIPLOMATS. "CARLOS" CASE. ARISING JUST BEFORE SAN JOSE CONFERENCE, MAY ALSO EXPLAIN RABASA'S DECISION TO ATTEND THAT MEETING. JOVA

PAGE 01 SAN JO 02932 160728Z

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ACTION SS-25

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1. SUMMARY: AMBASSADOR DE LA COLINA OF MEXICO HAS GIVEN US THE TEXT OF A PROPOSED RESOLUTION TO SETTLE THE CUBA QUESTION. HE TOLD US THAT HE INTENDS TO LAUNCH THIS PROPOSAL ONLY IF HE CAN OBTAIN 14 CO-SPONSORS, I.E. THE REQUIRED TWO-THIRDS FOR ACTION UNDER THE RIO TREATY. THE TEXT OF THE PROPOSED RESOLUTION WHICH IS A VARIATION OF THE FREEDOM OF ACTION FORMULA FOR WHICH WE HAVE PREVIOUSLY STATED OUR SULNORT, IS SUBMITTED BELOW IN OUR ROUGH TRANSLATION FROM THE SPANISH. END SUMMARY.

QUOTE THE XVI MEETING OF CONSULTATION OF MINISTERS OF FOREIGN AFFAIRS SERVING AS ORGAN OF CONSULTATION, UNDER THE RIO TREATY,

CONSIDERING

THAT THE MEMBER STATES PARTY TO THE RIO TREATY HAVE RENEWED THEIR ADHERENCE TO THE PRINCIPLES OF SOLIDARITY AND INTER-AMERICAN COOPERATION, NON-INTERVENTION AND RECIPROCAL ASSISTANCE SET FORTH IN THE RIO TREATY AND THE CHARTER OF THE ORGANIZATION;

THAT THE CONFERENCE OF PLENIPOWENTIARIES MEETING IN SAN JOSE, COSTA RICA HAS AGREED TO (SIGNED) A PROTOCOL OF AMENDMENTS TO THE RIO TREATY WHICH WITH UNANIMOUS

PAGE 02 SAN JO 02932 160728Z

(GENERAL) (MAJORITY) APPROVAL OF SAID STATES PARTY MODIFIED THE STANDARD CONTAINED IN ARTICLE 17, CONCERNING DRADOPTION OFFCECISIONS, TO THE EFFECT THAT IN ORDER TO LEAVE WITHOUT EFFECT THE MASSURES ADOPTED IN CONFORMITY WITH ARTICLE 8 ONLY AN ABSOLUTE MAJORITY OF SAID STATES WILL BE REQUIRED; AND

DESIRING

TO ELIMINATE THE LIMITATIONS IMPOUND ON THE SOVERIGN POWERS OF THE STATES PARTY TO THE RIO TREATY BY RESOLUTIONS APPROVED IN ACCORDANCE WITH ARTICLES 8, 17 AND 20 OF SAID TREATY, WHICH NO LONGER HAVE THE SUPPORT OF THE TWO-THIRDS MAJORITY ORIGINALLY REQUIRED TO ADOPT THEM:

(BEGIN UNDERLINE ALTERNATIVE TEXT END UNDERLINE: TO PROMOTE INTER-AMERICAN RELATIONS IN THE BROADEST POSSIBLE WAY:)



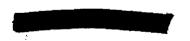
RESOLVES

- I. TO SOLEMNLY REAFFIRM THE PRINCIPLE OF NON-INTERVENTION AND TO URGE THE STATES PARTY TO WATCH OVER ITS OBSERVANCE IN THE HEMISPHERE, IN ACCORDANCE WITH THE CHARTER OF THE ORGANIZATION, TO WHICH END THEY PROCLAIM ONCE AGAIN THEIR SOLIDARITY AND REITERATE THEIR WILL FOR CONSTANT COOPERATION WITH THE AIM OF REALIZING FULLY THE PRUPOSES OF A POLICY OF PEACE:
- II. TO LEAVE THE STATES PARTY TO THE RIO TREATY FREE TO NORMALIZE, UNILATERALLY AND ACCORDING TO THE NATIONAL POLICIES AND INTERESTS OF EACH ONE, THEIR RELATIONS WITH THE REPLIC OF CUBA AT THE LEVEL AND IN THE MANNER THAT EACH STATE CONSIDERS APPROPRIATE, AND
- III. TO TRANSMIT TO THE SECURITY COUNCIL OF THE UNITED NATIONS THE TEXT OF THIS RESOLUTION. END OUOTE.
- 3. COMMENT: WE THANKED DE LA COLINA FOR HIS EFFORTS AND SAID THAT WE WOULD BE SENDING HIS DRAFT TO WASHINGTON IMMEDIATELY AND WOULD COMMENT ON IT WHEN WE HAD HAD A CHANCE TO STUDY IT. AT FIRST READING THE DRAFT DOES NOT

PAGE 03 SAN JO 02932 160728Z

APPEAR TO RAISE MANY SIGNIFICANT PROBLEMS FOR US, ALTHOUGH WE ARE LESS THAN ENTHUSIASTIC ABOUT FIRST VERSION OF QUOTE DESIRING END QUOTE PARAGRAPH.

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*** Current Handling Restrictions ***

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INFO OCT-01 ARA-06 ISO-00 OIC-02 EB-07 CIAE-00 DODE-00

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P R 160005Z JUL 75 FM AMEMBASSY MEXICO TO SECSTATE WASHDC PRIORITY 8899 ÎNFO AMEMBASSY SAN JOSE

KICO 6283

E.O. 11652; N/A

TAGS: PFOR, OCON, OAS, MX

SUBJECT: MEXICAN-SUBAN RELATIONS: SAN JOSE CONFERENCE

REF: MEXICO 6238

- 1. ON EVE OF SAN JOSE MEETING ON RIO TREATY (WHERE GOM HOPES MEASURES WILL BE TAKEN TO LIFT CUBAN SANCTIONS), DEVELOPMENTS IN PAST FEW DAYS REFLECT SOME CONCERN AND UNEASE ON PART OF MEXICANS.
- 2. EMBASSY HAS REPORTED (REFTEL) THAT FOREIGN SECRETARY RABASA NOW PLANS TO ATTEND SAN JOSE MEETING. THERE HAD EARLIER BEEN INDICATIONS THAT HE WOULD ATTEND "IF NECESSARY" (I.E., IN SUPPORT OF GOM POLICY) BUT UNTIL RECENTLY GOM HAD APPARENTLY NOT FELT RABASA'S PRESENCE ESSENTIAL.
- 3, PRESIDENT ECHEVERRIA ON JULY 11 (IN DAKAR) REPORTEDLY RESPONDING TO CRITICISM AT HOME OF HIS PLANNED VISIT TO CUBA, STATED THAT HE HAD INCLUDED CUBA ON HIS ITINERARY AT THE REQUEST OF MEXICAN BUSINESSMEN.
- 4. COMMENTS: ANY CRITICISM OF ECHEVERRIA ON CUBAN VISIT HAS BEEN MUTED, AND REASON FOR HIS STATEMENT MAY

PAGE 02 MEXICO 06283 160027Z

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*** Current Classification ***

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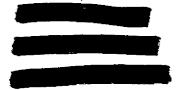
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EO 11652: GDS TAGS: OCON OAS DECAPTIONED

SUBJ: SAN JOSE CONFERENCE: NEW MEXICAN DRAFT ON CUBA

REF: SAN JOSE 2932 (USDEL 004) SAN JOSE 2944 (USDEL 006)

- 1. SUMMARY: DE LA COLINA OF MEXICO HAS CIRCULATED A SECOND DRAFT OF HIS RESOLUTION ON CUBA. IT REFLECTS SUGGESTIONS MADE BY VARIOUS DELEGATIONS, INCLUDING OURS. CASTILLO ARRIOLA OF GUATEMALA IS PUSHING HARD TO GET A BRIEF DELAY AND A SIFFERENT VENUE TO APPROVE THE FREEDOM OF ACTION FORMULA. (USDEL 006) INSTRUCTIONS REQUESTED. END SUMMARY.
- 2. DE LA COLINA HAS DISCUSSED HIS DRAFT RESOLUTION ON FREEDOM OF ACTION ON CUBA WITH ALARGE NUMBER OF DELEGATIONS HERE AND HAS MADE ANUMBER OF DELETIONS AND CHANGES WHICH HE BELIVES WILL MAKE IT MORE GENERALLY ACCEPTABLE. THE FOLLOWING IS OUR TRANSLATION FROM SPANISH OF THE REVISED DRAFT:
- 3. QUOTE: THE XVI MEETING OF CONSULTATION OF MINISTERS OF FOREIGN AFFAIRS SERVING AS ORGAN OF CONSULTATION, "*UNDER THE RIO TREATY,



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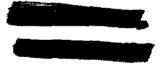
THAT THE MEMBER STATES PARTY TO THE RIO TREATY HAVE RENWED THEIR ADHERENCE TO THE PRINCIPLES OF SOLIDARITY AND INTER--AMERICAN COOPERATION, NON-INTERVENTION AND RECIPROCAL ASSISTANCE SET FORTH IN THE RIO TREATY AND THE CHARTER OF THE ORGANIZATION, AND

DESIRING

TO PROMOTE INTER-AMERICAN RELATIONS IN THE BROADEST MANNER POSSIBLE;

RESOLVES

- I. TO SOLEMNLY REAFFIRM THE PRINCIPLE OF NONINTERVENTION AND TO URGE THE STATES PARTY TO WATCH OVER
 LHKQUE VELEN) ITS OBSERVANCE IN THE HEMISPHERE, IN ACCORDANCE
 WITH THE CHARTER OF THE ORGANIZATION, TO WHICH END THEY
 PROCLAIM ONCE AGAIN THEIR SOLIDARITY AND REITERATE THEIR
 WILL FOR CONSTANT COOPERATION WITH THE AIM OF REALIZING
 FULLY THE PURPOSES OF A PLICY OF PEACE;
- II. TO LEAVCTHE STATES PARTY TO THE RIO TREATY FREE TO CONDUCT, UNILATERALLY AND ACCORDING TO THE NATIONAL POLICIES AND INTERESTS OF EACH ONE, THEIR RELATIONS WITH THE REPUBLIC OF CUBA AT THE LEVEL AND IN THE MANNER THAT EACH STATE MAY CONSIDER APPROPRIATE, AND
- III. TO TRANSMIT TO THE SECURITY COUNCIL OF THE UNITED NATIONS THE TEXT OF THIS RESOLUTION. END QUOTE.
- 4. DE LA COLINA HAS MADE UNEQUIVOCALLY CLEAR THAT HE DOES NOT PLAN TO TAKE ANY ACTION ON CUBA UNLESS HE HAS AT LEAST FOURTEEN CO-SPONSORS, THE TWO-THRIDS MAJORITY REQUIRED FOR SUCCESS. HE AHS BEEN EQUALLY FORTHRIGHT IN SAYING THAT THE U.S. MUST BE AMONG THE FOURTEEN CO-SPONSORS.
- 5. AMBASSADOR MAILLIARD HAS TOLD DE LA COLINA THAT HE WOULD TENTATIVELY AGREE TO U.S. CO-SPONSORSHIP PROVIDED THERE ARE THIRTEEN OTHER CO-SPONSORS AND PROVIDED HE COULD OBTAIN AUTHORIZATION FROM WASHINGTON.



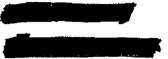
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PAGE 03 SAN JO 02966 172359Z

- 6. DESPITE SOME OPPOSITION MENTIONED IN USDEL 006, GUATEMALA'S PROPOSAL TO DEAL FINALLY WITH THE SANCTIONS IS STILL VERY MUCH ALIVE. CASTILLO ARRIOLA HAS TOLD DE LA COLINA THE SAME THING HE TOLD US, I.E., THAT GUATEMALA WOULD POUE IN FAVOR OF A FREZOOM OF ACTION FORMULA IF IT IS DEALT WITH IN A SEPARATE MEETING IN A COUPLE OF WEEKS.
- 7. OUR SOUNDINGS WITH BOLIVIA AND BROZIL HERE INDICATE THAT THEY TOO MIGHT BE GROUGHT AROUND TO VOTING IN FAVOR OF FREEDOM OF ACTION IN A SEPARATE MEETING SOON AFTER THE SAN JOSE CONFERENCE IS OVER, AT A DIFFERENT PLACE.
- 8. DE LA COLINA'S CURRENT THINKING IS, PROVIDED ALL GOES WELL WITH HIS DRAFT RESOLUTION, TO HAVE THE PERMANENT COUNCIL MEET HERE IN SAN JOSE. THE COUNCIL WOULD DEAL WITH ONLY ONE ITEM; IT WOULD CONVOKE A MEETING OF THE ORGAN OF CONSULTATION AT A GIVEN PLACE AND TIME FOR THE SOLE PURPOSE OF VOTING ON THE FREEDOM OF ACTION RESOLUTION (WHICH WOULD OF COURSE HAVE ENOUGH SPONSORS TO ASSURE APPROVAL).

- 9. COMMENT: THE MOOD HERE IS GOOD, BOTH WITH RESPECT TO THE AMENDMENT OF THE TREATY AND ON CUBA. PERU AND MEXICO, OUR CHIEF ANTAGONISTS IN THE SPECIAL COMMITTEE, HAVE BOTH GONE OUT OF THE WAY TO COOPERATE WITH US IN AN EFFORT TORESOLVE SOME OF THE PROBLEMS WE HAVE WITH THE SPECIAL COMMITTEE DRAFT OF THE TREATY AMENDMENTS. OUR OBVIOUS GOOD WILL ON THE CUBA QUESTION HAS BEEN CRUCIAL IN SECURING THIS COOPERATION.
- 10. WE ARE NOT ENCOURAGING THE GUATEMALAN PROPOSAL, BUT WE TEND TO THINK IT WOULD BE WORTHWHILE TO GO ALONG WITH IT IF IT MEANS APPROVAL BY 16 OR 17 VOTES RATHER THAN A MERE 14.
- 11. ACTION. REQUEST AUTHORITY, IF CONSENSUS DEVELOPS,

A. TO CO-SPONSOR MEXICAN RSSOLUTION PROVIDED AND ONLY PROVIDED THERE ARE AT LEAST THIRTEEN OTHER CO-SPONSORS.



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PAGE 04 SAN JO 02966 172359Z

B. TO AGREE TO THE GUATEMALAN PROPOSAL TO CALL A MEETING OF THE PERMANENT COUNCIL HERE IN SAN CSE TO CONVOKE THE ORGAN QD CONSULTATION UNDER THE RIO TREATY LJB A SPECIFIED TIME AND PLACE (ROUGHLY TWO WEEKS, PROBABLY IN TRINIDAD) FOR THE SOLE PURPOSE OF ADOPTING THE MEXICAN REENOLUTION CO-SPONSORED BY FOURTEEN OR MORE STATE SIVFATORY TO THE RIONBREATY.

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FM AMEMBASSY ALGIERS
TO SECSTATE WASHDC 2747
INFO AMEMBASSY CAIRO
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AMEMBASSY DAR ES SALAAM
AMEMBASSY GEORGETOWN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MEXICO CITY
AMEMBASSY NEW DELHI
AMEMBASSY PORT OF SPAIN
AMEMBASSY TEHRAN

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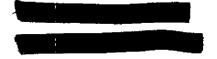
TAGS: PFOR, AG, MX/

AMEMBASSY TEL AVIV

SUBJECT: BOUMEDIÉNE - ECHEVERRIA LOVE-IN

REF: ALGIERS 1580

1. ECHEVERRIA'S ALGERIA VISIT JULY 14-17 PRODUCED WARM BATH OF SOFT-CORE THIRD WORLD RHETORIC BUT LITTLE OF SUBSTANCE. ITS SPIRIT TYPIFIED BY BANNER PUT UP BY ALGERIANS AND READING. "TOTAL SUPPORT TO ALL JUST CAUSES IN THE WORLD."



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- 2. ECHEVERRIA MADE OBVIOUS EFFORT IN SPEECHES AND PRESS CONFERENCES TO INGRATIATE HIMSELF, HE STRESSED IDENTITY OF ALGERIAN AND MEXICAN EXPERIENCES (REVOLUTIONARY TRIALS, AGRARIAN REFORM, NATIONALIZATION OF OIL RESOURCES) AND EMPHASIZED MEXICO'SSOLIDARITY WITH ALGERIA'S "AVANT GARDE AND REALISTIC POLICY" AND INTERNATIONAL VIEWS AND WITH NONALIGNED/THIRD WORLD ECONOMIC DEMANDS.
- 3. HE ALSO CALLED FOR JUSTICE FOR PALESTINIANS BASED ON UN RESOLUTIONS, EXPRESSED DESIRE MEET WITH ARAFAT, STATED HE DID NOT SEE MEXICO JOINING OPEC FOR MOMENT, AND PARADED MEXICO'S CUBA AND ALLENDE TIES AT EVERY OPPORTUNITY.
- 4. COMMERICAL AGREEMENT SIGNED BY COMMERCE MINISTERS. ACCORDS BEING PREPARED ON ECONOMIC, TECHNICAL, COMMERCIAL, CULTURAL AND SCIENTIFIC MATTERS. WE UNDERSTAND MEXICANS TRYING TO WIN AUTO PLANT PROJECT FOR MEXICAN VOLKSWAGEN AFFILIATE, ARGUING NEED FOR THIRD WORLD MUTUAL SUPPORT; WE DOUBT THEIR PROSPECTS ARE VERY GOOD.
- 5. FINAL COMMUNIQUE STRESSED ALGERIAN-MEXICAN AGREEMENT ON THIRD WORLD SOLIDARITY AND ON NECESSITY OF NEW INTERNATIONAL ECONOMIC ORDER AND OF REINFORCEMENT OF BATTLE AGAINST IMPERIALISM, RACISM, COLONIALISM, ETC. COMMUNIQUE SALUTED VICTORIES OF INDOCHINA PEOPLES, CONDEMNED SOUTH AFRICA AND RHODESIA, OPPOSED CUBA EMBARGO, SUPPORTED PANAMA CLAIMS TO SOVEREIGNTY OVER CANAL AND PAID HOMAGE TO ALLENDE.
- 6. AFTER PRESENTING BOUMEDIENE'S EXPLANATION OF MIDDLE EAST SITUATION, COMMUNIQUE SIMPLY REMARKED THAT ECHEVERRIA HAD "LISTENED WITH GREAT INTEREST." WOULD NOTE THAT CONTENTS OF FBIS REPORT OF ECHEVERRIA PRESS CONFERENCE REMARKS ON KISSINGER "RECENT THREATS" (FBIS LONDON LD 170241Y) WERE NOT CARRIED IN LOCAL PRESS.
- 7. WE WOULD CLASSIFY VISIT AS FAIRLY ROUTINE IN TERMS
 FESTIVITIES ARRANGED AND RESULTS ACCOMPLISHED. THERE CONSIDERABLY
 LESS HOOPLA, FOR INSTANCE, THAN THERE WAS FOR KIM IL SUNG VISIT.
 BOUMEDIENE'S DINNER FOR ECHEVERRIA ND LATTER'S DINNER IN
 RETURN, BOTH HELD AT PALAIS DU PEUPLE, UNINSPIRING. THERE
 ONLY SO MANY THINGS ALGERIAN COOKS CAN DO WITH BOILED

PAGE 03 ALGIER 01609 181316Z

MUTTON. IN THEIR SPEECHES TWO HEADS OF STATE VIED WITH EACH OTHER IN MONOTONY OF DELIVERY, BUT BOUMEDIENE WON HANDS DOWN. FOR THE OCCASION, ALGERIANS IMPORTED SPANISH-SPEAKING INTERPRETER WHO IS SECOND SECRETARY OF EGYPTIAN EMBASSY MADRID, INDICATING



LENGTHS TO WHICH ARABIZATION BEING PURSUED. NON-SPANISH, NON-ARABIC SPEAKERS AT DINNER LEFT IN TOTAL IGNORANCE AS TO PROCEEDINGS. MRS. BOUMEDIENE MUCH IN EVIDENCE AT DINNER TABLE AND AT AIRPORT FAREWELL, LOOKING VERY PRETTY. SHE AND MEXICAN LADIES PROVIDED ONLY NOTE OF GAIETY TO PROCEEDINGS.

8. CONTACT WITH PARTY LIMITED BY ALGERIAN PROTOCOL ARRANGE-MENTS. ONLY COMMENTS ON VISIT WE ABLE TO EXTRACT FROM TWO BRIEF CONTACTS WERE THAT VISIT HAD GONE WELL BUT PARTY TIRED AND HOT (TEMPERATURE WAS LOCALLY UNHEARD OF 102 ON SECOND DAY OF VISIT). AT THIS RATE, THEY SHOULD BE EXHAUSTED BY TIME THEY GET TO CAIRO.

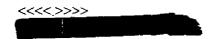
9. OF SOME INTEREST TO US IS FACT THAT MINISTR OF INTERIOR ABDELGHANI GIVEN SECOND-RANKING ALGERIAN SEAT AT DINNER TABLE, WELL ABOVE HIS SENIORS, PRESUMABLY MEANING HE DESIGNATED AS ESCORT OFFICER, BUT PERHAPS SAYING SOMETHING ABOUT HIS PLACE IN THE PECKING ORDER. FOREIGN MINISTER BOUTEFLIKA ABSENT AS USUAL.PARKER

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INFO OCT-01 AF-06 ARA-06 ISO-00 FEA-01 ERDA-05 AID-05

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H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

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R 221232Z JUL 75
FM AMEMBASSY TEHRAN
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AMEMBASSY COLOMBO
AMEMBASSY DAKAR
AMEMBASSY DAR ES SALAAM
AMEMBASSY GEORGETOWN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MEXICO
AMEMBASSY NEW DELHI
AMEMBASSY PORT OF SPAIN
AMEMBASSY TEL AVIV

FEHRAN 07091

E.O. 11652: NA

TAGS: ENRG, PFOR, ETRD, EINV, IR, MX

SUBJ: ECHEVERRIA VISIT TO IRAN - OIL PRICES AND POSSIBLE ECONOMIC

COOPERATION

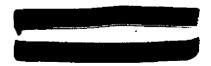
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DOWNSTADE OF G. CHESE

PAGE 02 TEHRAN 07091 221521Z

- 1. SUMMARY. MEXICAN PRESIDENT'S IRANIAN VISIT BROUGHT FORTH STATEMENTS BY BOTH HEADS OF STATE SUPPORTING HIGHER OIL PRICES. SHAH REPEATED HIS DETERMINATION TO USE OIL WEALTH TO BUILD UP IRAN'S MILITARY STRENGTH. IRANIAN PRESS SAID EACH SIDE AGREED TO MAKE A \$400 MILLION CREDIT AVAILABLE FOR JOINT VENTURES IN BOTH COUNTRIES, BUT FONMIN'S SOURCE INDICATED ECONOMIC AGREEMENT LIMITED TO IRAN'S INVESTING \$400 MILLION IN MEXICO, IF MONEY AVAILABLE LATER. END SUMMARY
- 2. AT THE CLOSE OF THE JULY 17-21 VISIT TO IRAN OF PRESIDENT LUIS ECHEVERRIA, A JOINT PRESS CONFERENCE CARRIED OVER NATIONAL IRANIAN RADIO AND TV WAS HELD IN WHICH THE SHAH REITERATED AT SOME LENGTH THE JUSTIFICATION FOR AN INCREASE IN THE PRICE OF OIL TO COVER THE ALLEGED 30-35 PERCENT DECLINE IN OIL REVENUES' PURCHASING POWER BECAUSE OF WORLD INFLATION, HE SAID IRAN WOULD NOT INSIST ON AN INCREASE IN OIL PRICES COMMENSURATE WITH THE OIL EXPORTING COUNTRIES' ERODED BUYING POWER, BUT HE STATED THE AMOUNT OF THE INCREASE IN THE PRICE OF OIL WOULD BE DETERMINED BY "MANY FACTORS" IN CONSULTATION WITH OTHER MEMBERS OF OPEC. HE CLAIMED HIGHER OIL PRICES WOULD NOT UNDLY HURT THE WORLD ECONOMY AND REITERATED THE IRANIAN VIEW THAT PAST OIL PRICE INCREASES WERE RESPONSIBLE FOR ONLY A SMALL PART OF WORLD INFLATION. PRESIDENT ECHEVERRIA STATED THAT MEXICO WOULD UPHOLD A PRICE INCREASE AND NOT UNDERCUT OPEC BY SELLING OIL AT A LOWER PRICE. THE OFFICIAL COMMUNIQUE RELEASED AT THE CLOSE OF THE VISIT STATED THAT THE TWO HEADS OF STATE "REAFFIRMED THAT THE PRICES OF OIL AND OTHER RAW MATERIALS SHOULD BE CLOSELY RELATED TO THAT OF OTHER COMMODITIES."
- 3. WHEN QUESTIONED ABOUT STORIES APPERING IN WESTERN PRESS THAT OUL-PRODUCING STATES WERE SQUANDERING THEIR WEALTH ON WEAPONS, SHAH RECALLED THAT IRAN HAD BEEN INVADED BY FOREIGN POWERS IN BOTH WORLD WARS, ALTHOUGH IT HAD DECLARED ITS NEUTRALITY AND THAT "OUR COUNTRY WILL NOT BE TAKEN BY SURPRISE AGAIN. WE HAVE DECIDED TO DESTROY OUR COUNTRY OURSELVES BEFORE ALLOWING IT TO BE OCCUPIED BY THE ENEMY, BUT BEFORE THAT WE WILL FIGHT AND TO FIGHT WE NEED WEAPONS."
- 4. SHAH REAFFIRMED IRAN'S SUPPORT FOR NON-PROLIFERATION TREATY AND ITS DESIRE THAT THE MEDEAST BE DECLARED A NUCLEAR-FREE ZONE, BUT NOTED IRAN IS ATTAINING THE CAPACITY TO BECOME A NON-MILITARY NUCLEAR POWER.



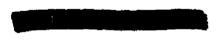
PAGE 03 TEHRAN 07091 221521Z

5. VISIT WAS ROUTINE BUT SUCCESSFUL IMAGE-BUILDING EXERCISE BY 184-MAN MEXICAN DELEGATION, IN PUBLIC PRONOUNCEMENTS, ECHEVERRIA

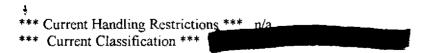


STRESSED SIMILARITY MEXICAN AND IRANIAN REVOLUTIONS AND DESIRE FOR ECON, SOCIAL, AND CULTURAL COOPERATION BETWEEN THIRD WORLD PARTNERS. TWITTING OF SUPERPOWERS WAS HELD TO MINIMUM, APPARENTLY WELL BELOW OTHER ECHEVERRIA VISITS SUCH AS ALGIERS. LITTLE OF SUBSTANCE ACCOMPLISHED. THOUGH THREE ECONOMIC AGREEMENTS SIGNED: (1) PAYMENTS AGREEMENT BETWEEN BOTH COUNTRIES' CENTRAL BANKS: (2) FINANCIAL PROTOCOL BETWEEN THE GOI MINISTRY OF ECONOMIC AFFAIRS AND FINANCE AND THE MEXICAN FINANCE MINISTRY, AND (3) LETTER OF ASSOCIATEION BY THE PRESIDENTS OF EACH COUNTRY'S CHAMBER OF COMMERCE SETTING UP A JOINT IRANIAN/MEXICAN BUSINESS COMMITTEE WHICH WILL MEET ANNUALLY. IRANIAN PRESS REPORTED EACH COUNTRY AGREED TO MAKE AVAILABLE \$400 MILLION CREDIT FOR FINANCING JOINT VENTURES IN BOTH COUNTRIES, BUT DIRECTOR AMERICAN DIVISION AT FONMINISTRY HATEF SAID AGREEMENT WAS ONLY FOR IRANIAN INVESTMENT IN MEXICO. AND MEXICANS WERE TOLD IRAN WOULD HAVE NO MONEY FOR THIS BEFORE LATE SEPTEMBER AT EARLIEST. COMMUNIQUE INDICATED JOINT VENTURE PAPER MILLS, CEMENT PLANTS, MAN-MADE FIBERS, SUGAR MILLS, HEAVY EQUIPMENT MANUFACTURING (MAINLY FOR CONSTRUCTION INDUSTRY AND OIL DRILLING PLATFORMS), COOPERATION IN PETROLEUM AND PETRO-CHEMICALS AND IN URBAN DEVELOPMENT PROJECTS WERE DISCUSSED. THESE COVER SIMILAR TERRITORY TO PROJECTS REVIEWED AT THE JOINT MEXICAN-IRANIAN ECONOMIC COMMISSION MEETING (SUBCABINET AND TECHNICAL LEVEL) DURING THE EARLY JUNE VISIT OF A MEXICAN DELEGATION LED BY THE FINANCE UNDER SECRETARY NOTHING YET ACCOMPLISHED ON ANY JOINT VENTURE AGREEMENTS, WHICH WOULD REQUIRE FURTHER CONCURRENCE OF BOTH GOVERNMENTS. CULTURAL AND SCIENTIFIC AGREEMENTS ALSO WERE SIGNED, BUT THESE COVER ROUTINE EXCHANGES OF TEACHERS, STUDENTS, AND TECHNICAL PERSONNEL.

6. HATEF ALSO THOUGH THERE HAD BEEN NO REPEAT NO DISCUSSION OF FUTURE ECHEVERRIA ROLE IN AN INTERNATIONAL ORGANIZATION (PARA FOUR REFTEL). HELMS



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USIA-15 ACDA-10 SAM-01 OMB-01 CIEP-02 COME-00 TRSE-00

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R 010042Z AUG 75 FM AMEMBASSY MEXICO **TO SECSTATE WASHDC 9194** INFO USMISSION USUN NEW YORK AMEMBASSY AMMAN AMEMBASSY KUWAIT AMEMBASSY CAIRO AMEMBASSY TEL AVIV

UNCLAS SECTION 1 OF 2 MEXICO V6811

E.O. 11652: N/A TAGS: PBOR, MX

SUBJECT: ECHEVERRRIA COMMENTS ON JUST ABOUT EVERYTHING

1. IN NINETY MINUTE PRESS CONFERENCE JULY 30 N KUWAIT.

THE HALFWAY POINT ON HIS 42-DAY, 14-NATION RAMBLE, PRESIDENT ECHEVERRIA FIELDED QUESTIONS ON A LONG LIST OF TOPICS AND GENERALLY SUMMED UP THE PROGRESS OF HIS TRIP TO DATE. HIS HANDLING OF KEY QUESTIONS FOLLOWS IN SUMMARY FASHION:

2. ARAB-ISRAELI CONFLICT

A. ASKED REPEATEDLY ABOUT POLITICAL SIGNIFICANCE OF HIS VISIT TO ISRAEL, ECHEVERRIA SAID MEXICO WAS NOT GOING TO "MEDIATE" NOR STLVE ARAB-ISRAELI PROBLEMS BUT WAS SERIOUSLY GOING TO STUDY SITUATION AS A RESPONSIBLE NEMBER OF UNITED NATIONS. NOTWITHSTANDING STRONGLY HELD VIEW OF ITS NEIGHBOR TO THE NORTH. MEXICO WAS GOING TO DEVELOP ITS **UNCLASSIFIED**

UNCLASSIFIED

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OWN INDEPENDENT ANALYSIS AND DRAW ITS OWN CONCLUSIONS.

B. ASKED WHETHER HE WOULD STAY IN TEL AVIV OR JERUSALEM, ECHEVERRRIA SAID HE RECOGNIZED POLITICAL IMPLICATION OF QUESTION BUT FOR MEXICO THERE WAS NO IMPORTANT DISTINCTION. HCBB I SLY YF#WITHIN ISRAEL WOULD BE UP TO ISRAELI OFFICIALS; HE HOPED TO VISIT BOTH CITIES AS WELL AS COUNTRYSIDE, LABOR CENTERS, AND HOLY SHRINES.

- C. ECHEVERRIA FORCEFULLY AFFFIRMED GOM OPPOSITION TO ISRAEL'S EXPULSION FROM UNITED NATIONS, ADDING THAT IF ILLEGAL SEIZURE OF TERRIORIES WERE USED AS CRITERIA MANY OTHER NATIONS WOULD HAVE TO BE EXPELLED AS WELL, BEGINNING WITH SOME GREAT POWERS. ISRAEL'S EXPULSION WOULD ONLY MAKE IT APPEAR THE VICTIM IN THE CASE. U.N. SHOULD REMAIN FORUM FOR DIALOGUE AND NEGOTIATION OF SUCH PROBLEMS.
- D. PRESSED FOR HIS IDEAS ON AN EVENTUAL MIDEAST SOLUTIONS, ECHEVERRIA SAID THE ANSWER WAS ALL RIGHT THERE IN (WHAT ELSE?) THE CHARTER OF ECONOMIC RIGHTS AMD DUTIES, AND HE WHIPPED OUT A COPY AND QUOTED AT LENGTH FVOM ART. 16: NATIONS WHICH PRACTIC COLONIALISM, AGRESSION, OCCUPATION ETC., ARE RESPONSIBLE FOR COMPENSATING AFFECTED PEOPLES, FOR DAMAGES CAUSED. "NO ARAB COUNTRY, NOR THE PALESTINIANS, HAS YET SPOKEN OUT SO FUPLY AS DOES THIS ARTICLE OF THE CHARTER WHICH THEY'VE ALL SIGNED."
- E. RE PALESTINIANS, ECHEVERRIA SAID HE WANTED TO HEAR ARAFAT'S ARGUMENTS, JUST AS HE WANTED TO HEAR ISRAEL'S. AT SAME TIME, HE CONCEDED THAT MEXICO HAD ALREADY MADE UP ITS MIND IN SUPPORT OF PALESTINIANS' "HISTORIC RIGHTS", EVEN THOUGH ALL ACTS MIGHT NOT YET BE IN AND EVEN THOUGH "HISTORIC RIGHTS" RAMINED TO BE CLEARLY DEFINED.
- 3. CUBA SANCTIONS AND CUBAN BEHAVIOR UNCLASSIFIED

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A. ECHEVERRIA CALLED 16TH MFM'S "FREEDOM OF ACTION" RESOLUTION "A VERY POSITIVE MEASURE, ONE WE HAD BEEN HOPINGXER." ADDED THAT IT WAS NECESSARY FOR NATIONS

OF AMERICA TO WORK OUT FREER AND MORE EQUITABLE RELATION-SHIPS, AND MFM ACTION REPRESENTED STP FORWARD. "DISTINGUISHED CUBAN OFFICIALS," HE SAID, HAD LATERLY STATED THAT CUBA'S PERIOD OF EXPORTING ITS REVOLUTION WAS OVER, AND ACTION TAKEN AT SAN JOSE MEANT OTHER GOVERNMENTS SHARED THE SAME VIEW.

- B. ECHEVERRIA SAID HE HOPED DECISION WOULD LEAD TOWARD MORE BALANCED COEXISTENCE AND THAT THERE WOULD BE NO INTERVENTION IN CUBA'S AFFAIRS EITHER BY LATIN AMERICAN COUNTRIES OR BY U.S. ADDED THERE SHOULD BE RESPECT ON BOTH (UNDERSCORE BOTH) SIDES, "SINCE REVOLUTIONS REALLY ARE NOT EXPORTABLE" AND PROGRESSIVE MOVEMENTS HAVE TO GROW OUT OF THE DISTINCT, IDIOSYNCRATIC CHARACTER OF EACH COUNTRY.
- C. PRESIDENT EXPECTED INTERCHANGE WITH CUBA TO BE BENEFICIAL TO BOTH SIDES. CUBA'S PROGRESS UNDER REVOLUTIONARY GOVERNMENT WOULD NOW BE MORE WIDELY KNOWN AND OBJECTIVELY APPRECIATED ELSEWHERE IN LATIN AMERICA. WOULD ALSO BE USEFUL FOR CUBA TO LEARN OF DEVELOPMENT EXPERIENCES IN OTHER LATIN COUNTRIES, SINCE CUBA IMPORTS MANY PRODUCTS IT HAS NOT YET LEARNED TO PRODUCE FOR ITSELF.
- D. ECHEVERRIA GAVE GENEROUS PRAISE TO FOREIGN SECRETARIAT STAFF FOR HAVING PERSISTED OVER THE YEARS IN EFFORTS TO END SANCTIONS AND FINALLY SUCCEEDING.
- 4. UNITED NATIONS AND SECGENSHIP

A. NAMED BY ONE NEWSMAN AS A CANDIDATE TO SUCCEED WALDHEIM, ECHEVERRIA ADMITTED THAT HE HAD SEEN REPORTS THAT HE WAS IN THE RUNNING. BUT HE NOTED THAT NO ONE HAD ACTUALLY NOMINATED HIM, THAT WALDHEIM'S TERM WAS UNCLASSIFIED

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FAR FROM OVER, AND THAT WALDHEIM "WHO IS DOING A GOOD JOB" MIGHT EVEN BE REELECTED.

B. U.N. AS AN ORGANIZATION, ADDED ECHEVERRIA, BADLY NEEDED STRENGTHENING SO THAT IS DECISIONS COULD BT IMPLEMENTED. UNFORTUNATELY, IT WEAKENED U.N. FURTHER TO HAVE PEOPLE ON ONE HAND -- LIKE U.S. SECRETARY OF STATE -- THREATEN TO CUT OFF ITS ECONOMIC SUPPORT, AND ON

OTHER HAND NATIONS CALLING FOR EXPULSION OF ONE OF ITS MEMBER. UNITED NATIONS MUST BE STRENGTHENED SO THAT GRAVE WORLD PROBLEMS WILL NOT BE WITHHELD FROM ITS JURISDICTION, AS HAS RECENTLY BEEN THE CASE. FURTHER WEAKENING WILL MEAN THAT ONLY AVAILABLE SOLUTION TO THESE PROBLEMS WILL BE THOSE OF FORCE, INCLUDING NUCLEAR FORCE.

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INFO OCT-01 NEA-10 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15

USIA-15 ACDA-10 SAM-01 OMB-01 CIEP-02 COME-00 TRSE-00

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R 010025Z AUG 75 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 9195 INFO USMISSION USUN NEW YORK AMEMBASSY AMMAN AMEMBASSY CAIRO AMEMBASSY KUWAIT AMEMBASSY TEL AVIV

UNCLAS SECTION 2 OF 2 MEXICO 6811

C. UNITED NATIONS IS NO LONGER MERELY A BIG MEETING PLACE IN NEW YORK BUT FALEMPLEX OF VALUABLE INSTRUMENTS WHICH POOR COUNTRIES MUST LEARN TO USE TO THEIR ADVANTAGE. WHY WEAKEN IT BY EXPELLING MEMBERS, WHEN IT COST SO MUCH WORK TO BUILD, AND WHEN IT CAN BE PUT TO USE TO SOLVE THIRD WORLD PROBLEMS? "INTERESTED PARTIES" HAVE ASSERTED THAT U.N. HAS BEEN TURNED INTO A FORUM OF CONFRONTATION RULED BY "TYRANNY OF THE MAJORITY." WE MUST COMBAT THIS ASSERTION, HE SAID.

5. TRIP'S PURPOSE: A THIRD WORLD SELA?

A. ECHEVERRIA REMARKED THAT HE HAD SET OUT ON 14-NATION TRIP OVER OBJECTIONS OF MANY OF HIS COLLABORATORS AND DESPITE CRITICISM THAT MEXICO WOULD DERIVE LITTLE BENEFIT FROM IT. BUT RESULTS AT MID-POINT SEEMED WHOLLY POSITIVE. HE HAD NOT BROUGHT SUITCASE FULL OF MEXICAN MERCHANDISE TO SELL, NOR WAS HE GOING ABOUT WITH OUTSTRETCHED HAND ASKING UNCLASSIFIED

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FOR LOAND. MEXICAN INDUSTRIALISTS, BANKERS, TECHNICIANS, STUDENTS., ETC., WOULD COME LATER TO BROADER CONTACT HE HAS INITIATED.

B. BUT ECHEVERRIA'S PURPOSE AND MSSAGE WERE MORE TRANSCENDENTAL: MEXICO, HE SAID, IS SKETCHING OUTLINES OF AN ECONOMIC ORGANIZATION WHICH IT SEES AS INCREASINGLY NEEDED AMONG THIRD WORLD COUNTRIES TO STRENGTHEN THEIR NEGOTIATING POSITIONS. JUST AS MEXICO PROPOSED ECONOMIC SYSTEM FOR LATIN AMERICA (SELA), WHICH LATIN AMERICAN NATIONS ARE JUST NOW LAUNCHING, IT HOPED TO PROPOSE SIMILAR THIRD WORLD ORGANIZATION WHICH -- BEYOND GENERAL PURPOSES OF NON-ALIGNED GROUP AND G-77 -- MIGHT HAVE SOME PRACTICAL CONTENT. (COMMENT: THIS IS THE FIRST WE HAVE HEARD OF THIS PARTICULAR BRAINSTORM, BUT PROBABLY NOT THE LAST) JOVA

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^{***} Current Handling Restrictions *** n/a

^{***} Current Classification *** UNCLASSIFIED

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ACTION INR-07

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O 232121Z SEP 75 ZFF-4 FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 0100

CONFIDENTIAL MEXICO 8332

E.O. 11652: GDS TAGS: PINT, MX

SUBJ: SUPPLEMENTARY BIO DATA ON JOSE LOPEZ-PORTILLO, PRI'S

CANDIDATE FOR PRESIDENCEY OF MEXICO

1. JOSE LOPEZ-PORTILLO Y PACHECO WAS BORN IN MEXICO CITY, JUNE 16, 1920. HIS FATHER, ORIGINALLY OF THE STATE OF JALISCO, PLAYED A (VERY) SMALL PART IN THE MEXICAN REVOLUTION AND LATER PLAYED A ROLE IN THE NATIONAILIZATION OF PETROLEUM IN 1938.

- 2. LOPEZ-PORTILLO BEGAN STUDIES IN THE FACULTY OF LAW AND SOCIAL SCIENCES OF THE NATIONAL AUTONOMOUS UNIVERSITY (UNAM) IN 1939. IN 1946 HE RECEIVED A LAW DEGREE (LICENTIATE), AND THE FOLLOWING YEAR HE WAS NAMED TO THE CHAIR OF "GENERAL THEORY OF THE STATE" IN THE LAW FACULTY OF HIS ALMA MATER, A POST WHICH HE HELD UNTIL 1958. HE IS THE AUTHOR OF THE TEXTBOOK "GENESIS AND GENERAL THEORY OF THE MODERN STATE."
- 3. LOPEZ-PORTILLO JOINED THE PRI IN 1945, BUT HIS FRIENDSHIP AND COLLABORATION WITH PRESIDENT ECEHVERRIA GO BACK TO THEIR YOUTH. ECHEVERRIA AND LOPEZ-PORTILLO WORKED TOGETHER ON A STUDENT NEWSPAPER IN 1940, AND IN 1941 BOTH RECEIVED FELLOWSHIPS FROM THE GOVERNMENT OF CHILE FOR SPECIAL STUDY AT THE UNIVERSITY OF SANTIAGO. THE TWO SAILED TOGETHER IN THE ENGINE ROOM OF A CHILEAN OIL FREIGHTER; ON THEIR RETURN TRIP, THEY SAILEDFROM VALPARISO TO CONFIDENTIAL

CONFIDENTIAL

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SAN FRANCISCO.

4. LOPEZ-PORTILLO'S CAREER IN GOVERNMENT BEGAN IN 1959 WHEN HE WAS NAMED TECHNICAL ADVISOR FOR A DEPARTMENT OF THE SECRETARIAT OF NATIONAL PATRIMONY. THE FOLLOWING ARE THE MORE IMPORTANT GOVERNMENT POSTS HE HAS HELD SINCE

UNITED STATES DEPARTMENT OF STATE REVIEW AUTHORITY: SAM A. MOSKOWITZ DATE/CASE ID: 22 MAR 1999 199801961

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THEN:

- A) 1960-65 DIRECTOR GENERAL OF FEDERAL COMMISSION FOR MATERIAL IMPROVEMENT (SEC PATRIMONY)
- B) 1965 DIRECTOR GENERAL OF CONSULTIVE JURIDICAL OFFICE (SEC PRESIDENCY)
- C) 1965 COORDINATOR OF PUBLIC ADMINISTRATION (SEC PRESIDENCY), CHARGED WITH ADMINISTRATIVE REFORM IN THE FEDERAL GOVERNMENT
- D) 1966 MEMBER OF INTERSECRETARIAL COMMISSION (TREASURY-PRESIDENCY), CHARGED WITH THE FORMULATION OF DEVELOPMENTAL PLANS
- E) 1968-70 SUBSECRETARY OF PRESIDENCY
- F) 1970-72 SUBSECRETARY OF NATIONAL PATRIMONY
- G) AUG 1972-MAY1973 DIRECTOR GENERAL OF FEDERAL ELECTRICTY COMMISSION
- H) MAY 28, 1973 PRESENT SECRETARY OF TREASURY AND PUBLIC CREDIT.
- 5. LOPEZ-PORTILLO IS MARRIED TO THE FORMER CARMEN ROMANO. THE COUPLE HAVE A SON AND TWO DUAGHTERS: JOSE (21), CARMEN (18), AND PAULINA (16).
- 6. COMMENT: LOPEZ-PORTILLO WILL BECOME PRESIDENT AT AGE 56, ABOUT EIGHT YEARS OLDER THAN THE AVERAGE MEXICAN PRESIDENT. AS SECRETARY OF TREASURY, LOPEZ-PORTILLO WAS CONSIDERED BY MEXICAN BANKERS AND BUSINESSMEN TO BE FLEXIBLE AND WILLING TO LISTEN, ALTHOUGH THE POWER OF SETTING CONFIDENTIAL

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ECONOMIC POLICY WAS CONSIDERED TO LIE WITH THE PRESIDENT RATHER THAN WITH THE SECRETARY OF TREASURY. EMBOFFS MOST KNOWLEDGEABLE OF LOPEZ-PORTILLO'S PERFORMANCE AS SECRETARY BELIEVE THAT HE DID NOT USE HIS PERSONAL INFLUENCE WITH PRESIDENT SUFFICIENTLY TO OPPOSE THE DEFICIT SPENDING IN THIS ADMINISTRATION WHICH HAS LED TO MEXICO'S RECENT 25 PERCENT INFLATION RATE. THEY WERE IMPRESSED, HOWEVER, AT LOPEZ-PORTILLO'S ABILITY TO MASTER HIS JOB, ESPECIALLY CONSIDERING HIS BACKGROUND AS A LAWYER RATHER THAN AN ECONOMIST. (ALL REPORTS HAVE STRESSED LOPEZ-PORTILLO'S ADMINISTRATIVE ABILITY.) EMBASSY OFFICIALS HAVE FOUND HIM FRIENDLY BUT NOT OPEN ABOUT HIS OWN ATTITUDES TOWARD FISCAL POLICY. ALMOST CERTAINLY THIS REFLECTED HIS SUPPORT OF AND LOYALTY TOWARD THE PRESIDENT.

7. LOPEZ-PORTILLO APPEARS TO UNDERSTAND SOME ENGLISH,

BUT HE HAS ALWAYS USED AN INTERPRETER DURING CONVERSATIONS WITH EMBASSY OFFICIALS.

8. FOREGOING SUPPLEMENTS BIOGRAPHIC DATA PREVIOUSLY FURNISHED DEPARTMENT.
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*** Current Handling Restrictions *** n/a
*** Current Classification *** CONFIDENTIAL

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CONFIDENTIAL

PAGE 01 STATE 227392 TOSEC 130073

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ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 R

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CONFIDENTIAL STATE 227392 TOSEC 130073

DECAPTION PER DISSEMINATION

E.011652: XGDS-2

TAGS: PFOR, OVIP (KISSINGER, HENRY A.)

SUBJECT: ECHEVERRIA'S PROBABLE SUCCESSOR: INR SPECIAL

ANALYSIS

S/S PASS TO DEPUTY SECRETARY

SPECIAL ANALYSIS: ECHEVERRIA'S PROBABLE SUCCESSOR

JOSE LOPEZ PORTILLO, SECRETARY OF FINANCE AND PUBLIC CREDIT, HAS BEEN CHOSEN THE PRESIDENTIAL CANDIDATE OF THE RULING PRI PARTY. UNDER MEXICO'S VIRTUAL ONE-PARTY SYSTEM, HIS SELECTION IS TANTAMOUNT TO ELECTION IN 1976.

A SURPRISE CHOICE, LOPEZ HAD BEEN DISCOUNTED EARLIER AS A SERIOUS POSSIBILITY FOLLOWING A PUBLIC DEBATE WITH THE INFLUENTIAL NEWSPAPER EXCELSIOR OVER A PROPOSED CAPITAL TAX LEVY UNDER STUDY IN THE SECRETARIAT. THE RESULT OF THE EXCHANGE WAS TO MAKE LOPEZ APPEAR BOTH UNTRUTHFUL AND LACKING IN POLITICAL "COOLNESS."

DESPITE THIS INCIDENT, LOPEZ POSSESSES A UNIQUE COMBINA-CONFIDENTIAL

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TION OF CHARACTERISTICS. CRITICAL FACTORS IN HIS SELECTION INCLUDED:

--HIS LONG-STANDING PERSONAL FRIENDSHIP WITH INCUMBENT PRESIDENT ECHEVERRIA, DATING FROM THEIR COLLEGE DAYS; UNITED STATES DEPARTMENT OF STATE

REVIEW AUTHORITY: SAM A. MOSKOWITZ

DATE/CASE ID: 22 MAR 1999 199801961

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- --HIS PERSONAL COMMITMENT TO ECHEVERRIA'S SOCIAL AND ECONOMIC POLICIES;
- --HIS CONSIDERABLE MANAGERIAL ABILITY AND REPUTATION AS A SKILLED TECHNOCRAT;
- --HIS GENERAL ACCEPTABILITY TO THE PARTY AND BUSINESS SECTORS, DESPITE A RELATIVE LACK OF POLITICAL EXPERIENCE.

LOPEZ CAN BE EXPECTED TO CONTINUE ECHEVERRIA'S SOCIAL AND ECONOMIC PROGRAMS, USING MONETARY AND FISCAL POLICIES TO ACHIEVE LONG-RANGE GOALS OF SOCIAL BETTERMENT AND ECONOMIC DEVELOPMENT. SIMILARLY, HE CAN BE EXPECTED TO ARTICULATE THIRD WORLD VIEWS IN INTERNATIONAL FORUMS.

LOPEZ IS BELIEVED TO BE FRIENDLY TOWARD THE UNITED STATES. HE HAS ESCHEWED CRITICISM OF THE US, BUT IS SENSITIVE ABOUT POSSIBLE US INFRINGEMENT ON MEXICAN SOVEREIGNTY. HE WELCOMES FOREIGN INVESTMENT IN ACCORDANCE WITH MEXICAN GOALS AND GUIDELINES. ROBINSON

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*** Current Handling Restrictions *** EXDIS
*** Current Classification *** CONFIDENTIAL

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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IO-10 OMB-01 /073 W

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R 301702Z SEP 75 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 0243

CONFIDENTIAL SECTION 1 OF 2 MEXICO 8552

E. O. 11652: GDS TAGS: PINT, MX

SUBJECT: WHY LOPEZ PORTILLO?

- 1. SUMMARY: MANY "EXPLANATIONS", SOME GIMMICKY, ARE BEING ADVANCED FOR THE SELECTION OF JOSE LOPEZ PORTILLO (JLP) AS PRI (RULING PARTY) CANDIDATE FOR PRESIDENT. ONE POLITICAL PUNDIT (COLUMNIST RICARDO GARIBAY) RECENTLY PLUMPED FOR JLP WHEN MOST OTHERS HAD WRITTEN HIM OFF, THUS REFLECTING GARIBAY'S 1) INSIDE INFORMATION, 2) ASTUTE KNOWLEDGE OF MEXICAN POLITICS, OR BOTH. GARIBAY'S SUBSEQUENT ANALYSIS OF JLP'S SELECTION COINCIDES IN SOME DEGREE WITH OUR OWN OBSERVATIONS. THIS IS A TENTATIVE AND PRELIMINIARY ASSESSMENT OF THE REASONS FOR PRESIDENT ECHEVERRIA'S CHOICE OF JLP: UNDERSTANDING THOSE REASONS CAN GIVE US A HEAD START IN PREDICTING THE NATURE OF THE JLP ADMINISTRATION. JLP'S STATEMENTS AND ACTIONS IN THE MONTHS OF CAMPAIGNING WHICH LIE AHEAD WILL, OF COURSE, PROVIDE THE BEST CLUES. END SUMMARY.
- 2. FOR THE FIRST TIME IN SIX YEARS, A MEXICAN POLITICAL FIGURE OTHER THAN LUIS ECHEVERRIA IS THE LIMELIGHTED FOCUS OF POLITICAL ATTENTION, ANALYSIS, AND COMMENT, WITH THE SELECTION OF JOSE LOPEZ PORTILLO AS PRI CANDIDATE FOR PRESIDENT. FOLLOWING THE INITIAL SHOCK FOR VIRTUALLY ALL OBSERVERS, THE INSIDE DOPESTERS ARE SEEKING--AND FINDING -- "EXPLANATIONS" FOR JLP'S SELECTION. MOST OF THESE CONFIDENTIAL

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ACCOUNTS ARE SIMPLISTIC IF NOT FICTIONAL. STORIES ARE EMERGING WHICH SUGGEST THAT JLP WAS A LAST-MINUTE CHOICE, SELECTED BY ECHEVERRIA FOR SOME RELATIVELY TRIVIAL REASON. WE ARE SKEPTICAL OF THESE STORIES.

3. WE CONTINUE TO THINK THAT A PRIME CONSIDERATION FOR

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REVIEW AUTHORITY: SAM A. MOSKOWITZ Page - 1
DATE/CASE ID: 22 MAR 1999 199801961

THE PRESIDENT WAS MAINTENANCE OF UNITY WITHIN THE POLITICAL ELITE. IN-FIGHTING BETWEEN THE SUPPORTERS OF MOYA PALENCIA AND CERVANTES DEL RIO APPEARS (MORE CLEARLY IN RETROSPECT) TO HAVE REACHED SUCH EXTREMES THAT THE SELECTION OF ONE OR THE OTHER WOULD HAVE ALIENATED A SIZEABLE PORTION OF THE PERSONS PRESENTLY CONSTITUTING THE GOVERNING COALITION. ALTHOUGH THE SPLIT WHOULD HAVE BEEN PERSONAL RATHER THAN IDEOLOGICAL IN NATURE, AND THEREFORE PERSUMABLY LESS PERMANENT, SUCH A DIVISION IS THE PERENNIAL NIGHTMARE OF MEXICO'S LEADERS--A DEVELOPMENT TO BE AVOIDED AT ALL COSTS.

- 4. WHETHER THE STANDOFF BETWEEN MOYA AND CERVANTES IS MOST ACCURATELY SEEN AS FORCING ECHEVERRIA TO TURN TO A THIRD CANDIDATE OR MAKING IT POSSIBLE OR EASIER FOR HIM TO DO SO IS PROBLEMATICAL. QUITE POSSIBLY THE LATTER ALTERNATIVE APPLIES. THE EMBASSY HAS NOTED IN PREVIOUS REPORTS THE STRONG PERSONAL FRIENDSHIP SINCE SCHOOLDAYS BETWEEN ECHEVERRIA AND JLP. THIS UNDOUBTEDLY INFLUENCED THE CHOICE TO BE MADE BETWEEN LOPEZ AND THE OTHER FOUR REMAINING AFTER THE ELIMINATION OF MOYA AND CERVANTES. ECHEVERRIA REMAINS A RESTLESS AND AMBITIOUS POLITICIAN WHOSE FUTURE CAREER, BOTH IN MEXICO AMD IN INTERNATIONAL LIFE, CAN BE SUBSTANTIALLY AFFECTED BY HIS SUCCESSOR. MOREOVER, ECHEVERRIA HAS ENEMIES AND VULNERABILITIES (INCLUDING HIS RELATIONSHIP THROUGH MARRIAGE WITH THE NOTORIOUS AND TROUBLE-PRONE ZUNO FAMILY) AND NEEDS CON-TINUING PROTECTION OR AT LEAST A FRIEND IN COURT IN THE YEARS TO COME. ON THE OTHER HAND, JLP IS NOT AN INEXPER-IENCED OR INCOMPETENT NOBODY WHO SIMPLY HAPPENS TO BE A CLOSE FRIEND OF THE PRESIDENT; HIS SELECTION CAN BE FULLY JUSTIFIED ON ITS OWN MERITS UPON HIS BAKCGROUND AND ACCOM-PLISHMENTS AS A PUBLIC FIGURE.
- 5. A MOST ASTUTE OBSERVER OF THE MEXICAN SCENE, EXCELSIO COLUMNIST RICARDO GARIBAY, FOUR DAYS BEFORE THE CONFIDENTIAL

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DESTAPAMIENTO PUBLISHED ARTICLES SHREWDLY ASSESSING THE PERSONAL QUALITIES OF THE THEN SEVEN PRE-CANDIDATES AND CONCLUDING WITH HIS PERSONAL SUPPORT FOR LOPES PORTILLO --A PRE-CANDIDATE WHOSE CHANCES WERE AT THAT TIME RATED ALMOST NIL BY MANY OBSERVERS. GARIBAY SUBSEQUENTLY (SEPTEMBER 25) ANALYZED JLP'S SELECTION IN BROAD TERMS. GARIBAY, SAID TO BE CLOSE TO ECHEVERRIA, MAY HAVE SOME INSIDE INFORMATION BUT HIS CLOSELY REASONED ANALYSIS STANDS ON ITS OWN KNOWLEDGE OF MEXICAN POLITICS AND ITS INTERNAL LOGIC. HIS ANALYSIS COINCIDES ON VARIOUS POINTS WITH OURS AND, ON THE BASIS OF HIS RECENT TRACK RECORD, HIS VIEWS MERIT CONSIDERATION.

6. GARIBAY ASSERTS THAT JLP WAS THE "LEAST POLITICAL" OF THE SEVEN PRE-CANDIDATES. HE SEES THIS AS A VIRTUE AND RELATES IT DIRECTLY WITH THE NATURE AND THRUST OF

ECHEVERRIA'S ADMINISTRATION. ECHEVERRIA, "100 PERCENT A PRODUCT OF THE 'SYSTEM'", CAME INTO OFFICE WITH THE "SYSTEM ON HIS BACK" AND HAS ENGAGED IN "A CONTINUAL STRUGGLE AGAINST THE SYSTEM AND THE USAGES WHICH MAKE IT POSSIBLE". EVIDENCE OF THIS STRUGGLE GARIBAY SEES IN THE FREQUENT CHANGES IN ADMINISTRATION POLICYMAKERS AT CABINET OR NEAR-CABINET LEVELS (29 SINCE DECEMBER 1970), AND IN INITIATIVES OF VARIOUS KINDS INTENDED TO EFFECT A "REVOLUTION FROM ABOVE. " IN THE WRITER'S VIEW, ECHEVERRIA HAD NO ALTERNA-TIVE: THE SYSTEM, WHEN HE CAME TO OFFICE, "STANK, COULD NOT RISE ABOVE ITSELF, WAS ROTTING AWAY AND INOPERATIVE" AND THE ONLY OTHER REMEDY WOULD APPEAR TO BE "ARMED REVOLUTION", ECHEVERRIA'S ATTEMPTS AT "REVOLUTION FROM ABOVE" INVOLVED "OPENINGS" (E.G. TOWARD WIDER POLITICAL PARTICIPATION IN THE MEXICAN SYSTEM) AND "VARIATIONS" (SUCH AS CHANGES IN POLICYMAKERS MENTIONED ABOVE). BUT THIS

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45 ACTION ARA-10

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PROCESS WAS INEVITABLY SLOW AND THE EXTENT OF ECHEVERRIA'S SUCCESS, IN GARIBAY'S VIEW (AND OURS) WAS DEBATABLE. ECHEVERRIA'S EFFORTS TO EFFECT CHANGE, TO ACHIEVE SOCIAL AND ECONOMIC JUSTICE, AND HIS RECOGNITION OF LIMITED SUCCESS IN THOSE ENDEAVORS, WERE REFLECTED, GARIBAY THINKS, IN ECHEVERRIA'S CHARACTERIZATION OF HIS ADMINISTRATION (IN HIS STATE OF NATION SPEECH SEPTEMBER 1) AS "TRANSITIONAL." WE AGREE. ECHEVERRIA HAS ALSO ON OTHER PUBLICOCCASIONS EXPRESSED REGRET THAT HE HAS BEEN UNABLE TO MOVE MEXICO FARTHER ALONG THE ROAD TOWARD SOCIAL JUSTICE. WE WOULD NOT GO QUITE SO FAR AS GARIBAY IN HISBELIEF THAT JLP WAS SELECTED BECAUSE HE. WAS "NOT POLITICAL" -- IT MAY HAVE EVEN BEEN IN SPITE OF HIS RELATIVE LACK OF POLITICAL BACKGROUND. NOR ARE WE THAT

CONVINCED THAT JLP WILL NOT HAVE A HEFTY PORTION OF THE SYSTEM "ON HIS BACK."

7. IF ECHEVERRIA'S ADMINISTRATION WAS, PERFORCE, "TRANSITIONAL," IN ITS EFFORTS TO REFORM THE SYSTEM AND THUS AVOID DRASTIC INTERNAL CONFLICT, GARIBAY THINKS JLP'S SUCCESSOR GOVERNMENT WILL BE DIFFERENT. JLP IS "NOT A POLITICIAN" AND DOES NOT UNDERSTAND MUCH OF MEXICAN POLITICS. HIS "LUCIDITY" AND TENDENCY TO CALL A SPADE A SPADE WILL NOT GIVE HIM THE PATIENCE TO PUT UP WITH SOME OF THE SYSTEM'S DEFECTS. MOREOVER, UNLIKE MOST OF THE PRE-CANDIDATES, JLP HAS NO TEAM OR CLIQUE ALREADY IN BEING. HE IS UNCOMMITTED TO INDIVIDUALS OR GROUPS (SAYS GARIBAY); HIS HANDS ARE NOT TIED (EXCEPT TO THE UNKNOWN CONFIDENTIAL

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EXTENT HIS DEBT TO ECHE ERRIA WILL INFLUENCE HIS ACTIONS AS PRESIDENT). IT IS FAR TOO EARLY TO EVALUATE IN ANY SPECIFIC WAY WHAT THIS CHARACTERIZATION OF JLP PORTENDS FOR THE PERIOD 1976-82. TO THE EXTENT IT IS ACCURATE, HOWEVER, IN ASSESSING JLP AS ONE WHO WILL AND MUST "TRANSCEND" ECHEVERRIA IN CHANGING THE MEXICAN SYSTEM, IT WOULD SUGGEST THAT THE TERM OF THE NEW ADMINISTRATION WILL AT THE LEAST SHARPEN THE LINES OF CONFLICT BETWEEN THE ENTRENCHED ESTABLISHMENT AND THOSE WITHOUT POLITICAL POWER, BETWEEN THE HAVES AND HAVE NOTS IN MEXICAN SOCIETY, WITH THE JLP GOVERNMENT WEIGHINGIN ON THE SIDE OF THE LATTER IN EACH CASE THIS COULD EXPLAIN THE SELECTION OF MUNOZ-LEDO (LABOR SECRETARY) AND GOMEZ VILLANUEVA (AGRARIAN REFORM) AS THE TOP TWO LEADERS IN THE PRI.

8. FROM THE USG POINT OF VIEW, IT CAN BE SAID THAT INTERNAL MEXICAN PROGRESS TOWARD A SOCIETY MORE EQUITABLE AND WITH GREATER ECONOMIC AND SOCIAL JUSTICE (AND, HOPE-FULLY, A MORE OPEN SOCIETY TENDING TOWARD REPRESENTATIVE DEMOCRATIC PROCESSES) WOULD ENHANCE THE PROSPECTS FOR MEXICO'S STABILITY IN THE LONG TERM AND THUS BE IN OUR LONG-RANGE INTERESTS. IT MUST ALSO BE NOTED, HOWEVER, THAT SERIOUS EFFORTS BY THE NEXT ADMINISTRATION TO EFFECT REAL CHANGE IN THE SYSTEM AND TO NARROW THE GAP BETWEEN MEXICO'S PRIVILEGED AND UNDERPRIVILEGED CLASSES, WOULD INEVITABLY PRODUCE SOME DEGREE OF FRICTION, TURMOIL AND RESISTANCE ON THE PART OF THOSE WITH MOST TO LOSE. IN THE COURSE OF JLP'S CAMPAIGN, WE SHOULD BE ABLE TO ESTI-MATE MUCH MORE CLOSELY THE EXTENT TO WHICH THIS TENTATIVE AND PRELIMINARY ANALYSIS IS CORRECT. BRANDIN

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AID/PDC - MR. SHAKON (DRAFT)

AID/SC - MR. GLADSON (DRAFT)

S/P - MR. AUSTIN (DRAFT)

PM - MP. STEPN (DRAFT)

FA - MP. HITING (DPAFT)

NEA - MR. HOLLY (DRAFT)

FUR - MR. GOOTT (DPAFT)

FUR - MR. GUOTT (DPAFT)
ARA-MR. LISTER (ORAFT)
T-MR. LEWIS (ORAFT)
L/MR - MR. RUNYOM (DRAFT)
D/MA - MR. WILSOM (DRAFT)

H- MR. GOLDSFRG (DPAFT)

L/PM - MP. MICHEL (DRAFT)

PH/SAS - MR. MC CLIMTÜCK (DRAFT)

A;O/SCP - MR. ESPINDSA (DRAFT)

EB/IDI/ODF+MR. THOMAS (DPAFT)

TU/UMP-MR. CRAFFORD (DPAFT)

L- MR. ALJOICH (DRAFT)

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UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: SAM A. MOSKOWITZ
DATE/CASE ID: 26 AUG 1998 199403559



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FUR AMBASSADORS, ALSO FOR POLADS

F.O. 11652: N/A

TARS: SHUM, PFOR, PINS, PINT, FORE, EATO, EFIN

1.1 SUBJECT: HUMAN RIGHTS: 1978 REPURTING REQUIREMENT

: KUMAIT PLEASE POUCH RASHOAD

TAFORM CONSULS AS APPROPRIATE

REFERENCE: A) STATE M12320; JANUARY 17, 1975; d) AA1975; LIANDARY 14, 1975; C) STATE 403725, JANUARY 7, 1976;

I. A PRINCIPAL GUAL OF U.S. POLICY IS TO PROMOTE INCREASED HUBSERVANCE OF INTERNATIONALLY RECOGNIZED HUMAN RIGHTS BY ALL COUNTRIES. TO THIS END (REF. A) DEPT. HAS INFORMED CONSPERS IT IS ELICITING REPORTING FROM ALL POSISION ISIGN NIFICANT HUMAN RIGHTS DEVELOPMENTS TO ESTABLISH FACTS RELEVANT TO FURTHERANCE OF THIS POLICY. ADDITIONALLY, SUCH REPORTING SERVES PURPOSE OF PESHONDING TO SPECIFIC HUMAN GIGHTS LEGISLATION AS NELW AS INCREASED NUMBER OF CONGRESSIONAL AND PUBLIC OUFRIES.

TO REP A HAVE PROVIDED VALUABLE PACKTROUND INFORMATION FOR HAMY PURPOSES, INCLUDING MAKING DE DECISIONS ON MALATERAL AND MULTILATERAL ISSUES. THEY FORMED PARTIES FUR DEPARTMENT'S INTERNAL REVIEW OF MUMAN RIPHTS PROPIETS IN CONMINCTION WITH FORMULATION BY 1976 SECURITY ASSISTANCE PROPIEMS. THOUSENED OF THOUSENED OF THOUSENED OF THOUSENED OF THOUSENED OF THE TO CONGRESS AS FART OF BY 1976 SECURITY ASSISTANCE CONGRESSIONAL PRESENTATION, PEROTTE SECURITY ASSISTANCE LEGISLATION MAY MAKE IT MEDERSARY TO PROVIDE COUNTRY-BY-COUNTRY HUMAN RIGHTS ANALYSES. THESE



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REPORTS IF EVENTUALLY REPUIRED, WILL BE BASED LARGELY ON MISSION SUBMISSIONS REQUESTED LATER IN THIS MESSAGE.

"BAS DEADS ARE NO DOUBT AWARE OF CONSTORMENT PUBLIC AND ALDIA ATTENTION TO HUMAN ATGHTS CLESTIONS IN U.S.: FURETON "AFFATRS C TH' CONGRESS PRIMARY FOCUS OF THIS ATTENTION HAS. I REFREINF CONNECTION WITH THE RESTRICTION OF ECONOMIC AND ASSISTANCE TO RECTEMENT COUNTRIES WHERE THERE. ARF SERIOUS DEFICIENCIES IN OBSEPYANCE OF HUMAN RIGHTS. CHRITH: RESPECT TO THE SECUPITY OF THE PERSON, FOR, ALK . TERNATIVELY, TO DIMINISH U.S. TERNTIFICATION XITH PERRES-FRIVE PRACTICES. DEPARTMENT HAS PESISTED CONCEPT AUTOW MATTIC CUT-OFF OF ASSISTANCE BECAUSE OF HUMAN RIGHTS ... "MIGLATIONS, CITING POSSIBLE PAMBER TO U.S. SECURITY AND " DIMER INTERESTS AND INEFFECTIVENESS OF SUCH CUTHOFFS FOR LUNG-TERM IMPROVEMENT HUMAN RIGHTS CREEKVANCE IN-MOSTA COUNTRIES. PENDING SECURITY ASSISTANCE LEGISLATION NEV-FRIHELESS GIVES EXECUTIVE BRANCH RESPONSIBILITY/FOR- - T FOLLAWING HUMAN PIGHTS OPSTRVANCE BY FOREIGH GOVERNMENTS AND ALSO TIES ASSISTANCE TO SUCH OBSERVANCE.

ASSISTANCE ACT OF 1975 (REF C) AND PENDING SECURITY
ASSISTANCE LEGISLATION IS AMMOUNTED POLICY AGAINST: PPOVIDING U.S. ASSISTANCE TO GOVERNMENTS OF ANY LOUNTRY
WHICH EMBAGES IN TA CONSISTENT FATTERS OF GROSS VIOLATIONS
OF INTERNATIONALLY RECOGNIZED HUMAN RIGHTS."

5. INTERNATIONAL DEVELOPMENT AND FOOD ASSISTANCE ACT OF 1975 ODES NOT REQUIRE THAT EXECUTIVE BRANCH REPORT TO CONGRESS WHICH COUNTRIES EXHIBIT SUCH A PATTERN BUT NEVERTHELESS THE EXECUTIVE BRANCH WILL HAVE TO GATHER ALL NECESSARY EXPORMATION RELEVANT TO OURSTIONS AS TO WHETHER SUCH A PATTERN EXISTS SO THAT ASSISTANCE PROGRAMS ARE DESCRIPTOR TO "DIRECTLY REMETIT THE MEREY PEOPLE IN SUCH COUNTRY." (FYI: AUTHORIZING LEGISLATION FOR FUNGING OF U.S. CUSTRIBUTION TO INTER-AMERICAN UPVELOPMENT DANK AND AFRICAN DEVELOPMENT FUND AS PASSED BY HOUSE AND FRUODABLY CONSIDERED IN SENATE PORFIGN RELATIONS COMMITMED THE TACULUES HIMAN RIGHTS RESTRICTIONS SIXILAR TO THOSE IN FOREGOING AID LEGISLATION. END FYI).



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. 6. PENDING SECUPITY ASSISTANCE LEGISLATION IN HOUSE IN-CHODES LANGUAGE WHICH MOULD REQUIRE EXECUTIVE ERANGH, CN. REGUESTIOF SITUER HOUSELITO PROVIDE ALL INFORMATION ON HUMAN PIGHTS PERFURNANCE AND WITH RESPECT TO ANY COUNTRY. 'STATEMENT WHETHER' COUNTRYPS THERPORMANCE PAISES A MELHIOUS BURSTION" OF A MCOMSISTENT PATTERN" IN SERVE OF PARA A "ABOYEL SENATE BILL WHICH PASSED OF FERRUARY 18, 1975 DURS NOT REQUIPE SUCH STATEMENT BUT HOULD MAKE CEHARTHENT SUBMIT TA FULL REPORT ON THE HUMAN RIGHTS PRACTICES OF . . "FACH PROPOSED RECIPIENT OF SECUPITY ASSISTANCE AS PART OF THE COMERESSIONAL PRESENTATION MATERIALS EACH YEARM: PROPERLY, UN SUPSEQUENT REQUEST OF FITHER HOUSE GEPARIMENT WOULD HAVE TO SUPPLIT ADDITIONAL STATEMENT SETTING OUT 1) DETAILED DESCRIPTION OF HUMAN PIGHTS PRACTICES IN ANY COUNTRY) 2) SIFPS TAKEN BY U.S., TO ODSCOUPAGE PRACTICES INTHICAL TS HUMAN PIGNTS IN SUCH COURTRY, TO CALL ATTERS TION TO SUCH PRACTICES AMENTO DISSECTATE ANY U.S. ASSIST TANCE FROM SUCH PRICTICES AND 3) OPINION OF SECRETARY OF STATE PHETHER FXCEPTIONAL STRUCKSTANCES WARRANT CONTING HED ASSISTANCE HOTPITHSTANDING SUCH PRACTICES AND IF SO. DESCRIPTION SUCH CTROUMSTANCES AND EXTENT TO MHIGH ASSISTANCE SHOULD BE CONTINUED.

7. PENOINS SECUPITY ASSISTANCE LEGISLATION IN HOUSE (PUT NOT RECENTLY ENACTED DEVELOPMENT ASSISTANCE LEGISLATION) WOULD ALSO REQUIPE EXECUTIVE BRANCH TO STATE (1) STEPS U.S. HAS TAKEN TO DISCOURAGE PRACTICES INIMICAL TO HUMAN RISHTS ON PART OF OPENOING GOVERNMENTS, AND TO PROMOTE RESPECT FOR AND DRSERVANCE OF HUMAN RIGHTS IN THAT COUNTRY AND (2) STEPS BEING TAKEN PUBLICLY AND PRIVATELY TO CALL ATTENTION TO SUCH PRACTICES AND TO DISSOCIATE U.S. AND SECURITY ASSISTANCE PROGRAMS FROM SUCH PRACTICES.

A. YEM DEVELOPMENT ASSISTANCE LEGISLATION AND PENDING SECURITY ASSISTANCE LEGISLATION INCLUDE VARIATIONS OF TOPA THAT IN APPRAISING AND REPORTING HUMAN RIGHTS HELD GIVEN TO RELEVANT FINDINGS OF APPROPRIATE INTERNATIONAL UPGANIZATIONS INCLUDING NON-GOVERNMENTAL ORGANIZATIONS HAVING CONSULTATIVE STATUS



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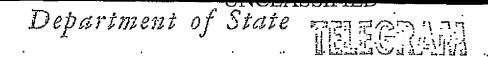
WITH THE UNITED WATTONE TRATESTATIONS. COMMITTEE OF THE RED CROSS, TAMMESTY INTERNATIONAL, TATESTATIONAL . COMMISS SIDE OF JUDISTS INTERNATIONAL LEASUR FOR THE RIGHTS OF MAN, ETC.) AND ORGANIZATIONS ACTING UNDER THE AUTHORITY OF THE UNITED NATIONS OF SPAROPPIATE REGIONAL EPBANIST NATION OF STATES AND EXTENT, OF CHOPERATION OF GUYERNMENTS WITH BUCH ORGANIZATIONS.

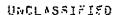
OF INTERMATIONALLY RECOGNIZED HUMAN RIGHTS" ALL VERSIONS OF INTERMATIONALLY RECOGNIZED HUMAN RIGHTS" ALL VERSIONS SINGLE OUT PRIMARY CONSIDERSIONAL INTEREST IN TOUTONE OF CRUE, INHUMAN OF DEGRAPHING TRANTOPHT OR PUNISHENT, AND PROLONGED DETENTION; MITHOUT CHARGES. NORTHFLESS, IT CLEARLY COMBRESS! INTENT THAT REPORTING, ANALYSIS AND PULICY DECISIONS SHOULD TAKE ACCOUNT OF THE MADLE MANGE OF HUMAN RIGHTS AMBURDAMENTAL FREFORMS TO WHICH THE UMITED STATES IS COMMITTED UNDERTARTICLES OF AND SO OF THE UM CHARTER.

im. Department will need-information—and tanalysis show all pusts in countries becalving u.s. Development absistance or security assistance (MAS, Pto, Security anspireting the tances of period transfered and commercial purchases of defende (Tems) to exable it in respond as fully as possible to recollendation and compared and compared to represent a particle pared and less that the recollendation of the partment of the responding of the partment of the concentration of the partment of the p

PROLONGED DETENTION WITHOUT CHARGES) SHOULD BE PROVIDED WHEN AIRBRAM PROCHED IN DROZE TO TAKE ACCOUNT VAGARIES POLICH DELIVERY. POSTS IN COUNTRIES PECETVING BOTH OFVEL-OPMENT ASSISTANCE AND SECURITY ASSISTANCE PHOULD MAKE ORLY DIE SUBMICTION OF MECCHSARY IMPORTATION PROJECTED BELOW. IN OPWATED, RESIDENTIARD REPORT POSTS SHOULD INCORPURATE, BY PEFFRENCE PARLIES PELEVANT REPORTS. A LIST IS IN-CHUED IN PARA 14 OF DEVELOPMENT ASSISTANCE COUNTRIES AND SA COUNTRIES.

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IL ALL OTHER POSTS WITH IMPORTANT HUMAN RIGHTS PHOBLEMS SHOULD UPDATE REPORTS SUBMITTED IN RESPONSE TO HER ALUMIN LINED AS SUBGESTED. PARA 12, FELOW BY APRIL 15, IN REMARKING FORTS WHERE HUMAN FIGHTS SITUATION EXAMPLARY UP THE REPORTS OF ARE TO BE SUBMITTED.

THE FOLLOWING IS SUGGESTED FUTLINE FOR PEPORTS ON TOCHNICLES WITH HUMAN RIGHTS PROGRESS:

TEAT SUMMARIZE INFOPTANT DRDINARY LEGAL SUARANTEES.

COSTATE WHETHER A "STATE OF GIRGE", "STATE OF EMERGENCY,"
MARTIAL LAW OR THE LIKE EXISTSTAND WHETHER CONSTITUTIONAL ...
"PROVISION FOR SUCH A STATE OF EXCEPTION IS PROVIDED. ...

- (8) QIRCUSE FACTUALLY AND CONCISPLY ACTUAL PRACTICE.

OF GOVERNMENT WITH RESPECT TO MUMAN PIGHTS UNDER RELEYANT

ARTICLES OF UNIVERSAL DECLARATION OF HUMAN RIGHTS CREETS,

TABLES.

THE PATTERN WHICH MILL EVERGE FROM THIS ANALYSIS WILL..

AL HELPEUL IN SETABLISHING ACCORDECT AND BALANCED DYMERS

STANDING OF THE COUNTRY'S HUMAN PIGHTS RELORD AND PUTTING MIDLATIONS, IF ANY, IN PERSPECTIVE. WE REITERATE, HOWEVER, THAT LEGISLATIVE HISTORY OF THANDARD WHICH COULD PRIENTIAL.

LY TRIGGER ASSISTANCE CUT-OFFS, IS INITIALLY DIRECTED. TOW WARDS PORCEFUL VIOLATIONS OF THE PERSON, (INCLUDING ... FORCED COMPINEMENT), I.E. ARTICLES 3,4,5,5,9,18 AND IN. HOWEVER ANALYSIS STATUS THER PIGHTS IS OFTEN CHÚCIALTA ... ASSESSING JUSTIFICATION OF VICLATIONS OF PERSON (F.G. DETENTION OF PROTESTEN MAY SET JUSTIFIED AS BEING FOR ... MAINTENANCE LAM AND ORDER BUT EXAMINATION OF LAW MAY SHOW ... LAW ITSELF IMPINGES ON RIGHTS OF OPINION, SPEECH, ASSEMBLY, FTC.)

TOT STATE ANY EVIDENCE BEADING OF DUESTION AMETHER COMESNIES OR EVGOURNESS ITS OFFICIALS IN MYOULATIONS OF HIMAN ATOMIS WITH RESPECT TO KILLINGS, ARBITALLY SHREST AND PROLOMOFO DETENTION, TORTHER AND OTHER THE MAN ON AFGRAPING IRLANACHT, DARAIN TRIALS OR OTHER FLAGRANT OFFICIALS OF THE RIGHT TO LIFT, LIBERTY AND THE

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SECURITY OF THE PERSON. WHAT ADMINISTRATIVE CONTROLS AND RIMINAL SAMPLIONS INTIBET SHOW PRACTICES?

(D) SUPPARIZE AVAILABLE RELEMANT RECENT-REPORTS AND. FINDINGS OF APPROPRIATE INTERNATIONAL ORGANIZATIONS - . TPARA P) AND COMMENT ON THEIR ACCURACY AND RELEVANCE ESPECIALLY IN LIGHT POSTS! OWN REPORTS AND FINDINGS.

FEN STATE WHAT DIPLOMATIC OR STHER STEPS (PARA 7) THE . EDBASSY MAS TAKEN TO DISCOURAGE MUMAN PIGHTS VIOLATIONS INCLUATED THOSE DESCRIPENTATIONS PARA L2 (C), AND TO PROMETE ACSU, STATE UNETHER AND HOMEUSE, SECURETY ASSISTANCE HAS BEFN DISSUCIATED FOOM ANY WIELATTOMS:

43, ROUTS IN COUNTRIES WITH ACUTE PROSLEMS OF THE TYPE DESCRIPED IN PARY 1210) SUBJECT MAKE PARTICULARLY FULL AND ANALYTICAL REPORTS WITH APPROPRIATE INTERNAL CLASSIFICATION

14. ASSISTANCE MECIPIENTS - GAS COUNTRIES RECEIVING DE-VELOPHENT ASSISTANCE AREA -----

CENTRAL AFRICAN BED. LIBERTAL SENEGAL CHARLES CHAO----SIERRA LEONE FINIOFIAME

GRANA

GRAN HOZAMSTERE TO THE PERSON TA KENYA-----ZAIRE . SCMALIA

SKAZIL mannamanamanner Salvaropamanapanana



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ABM.

- 113 MAP
- 127 THAINING
- 131 FMS CREDIT
- (4) LIKELY PMS CASH PURCHASES
- 131 SECURITY SUPPORTING ASSISTANCE KISSINGER

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Amembassy, WEXICO

DATE: March 24, 19;

MX PINT SHUM PFOR PINS PORG EAID EFIN Human Rights in Mexico

Exemptions.

A) State 45319, B) 1975 Mexico A-52, C) 1974 Mexico 3309, D) 1975 Mexico 9058, E) 1975 Mexico 3008, F) 1975 Mexico 772

This airgram responds to reference A, requiring report on human rights in countries receiving security . assistance. Headings correspond to Ref A's suggested outline.

EUMMARY: A pattern of human rights violations in Mexic exists in four separate areas: de facto lack of guarantees to detainees during the period immediately follows arrest in both common criminal and political cases; extortion practiced on imprisoned U.S. citizens by Tellow inmates given supervisory responsibility and by prison guards; GOM action against political terrorists; and relatively minor governmental harassment against legal political opposition. There is no effective lega or administrative constraint against these kinds of violations except notification of arrest and immediate consular access in the case of aliens, an area in which we have taken vigorous action concerning U. S. citizens Among international organizations, only Amnesty International has taken an interest in human rights in Mexico and described Mexico rather accurately in a brief section of its 1974-1975 report. U. S. security assistance should not reasonably be related to human rights violations in Mexico, but we can expect interest in the assistance provided Mexico under the FAA for narcotics enforcement. We expect that our position can be

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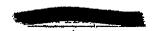
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MEXICO A-79 Page 2

successfully defended against accusations that our assistance can be associated with human rights violations.

Mexico is not exemplary in the human rights field, but we do not feel that the patterns of violations which do occur should place it among those countries where a "consistent pattern of gross violations" exists. END SUMMARY.

Important Ordinary Legal Guarantees

Chapter I of the Mexican Constitution (Articles I-29) establishes as individual guarantees to be enjoyed by "every person in the United Mexican States" all the internationally recognized human rights. Reference B describes the Mexican writ of amparo and the practice of jurisprudencia, two additional means by which the individual citizen may protect himself against arbitrary governmental decisions.

There is not now in effect in Mexico a state of emergency or siege but Article 29 of the Mexican Constitution does make provision for a temporary suspension of individual guarantees. To the best of our knowledge, Article 29 has never been invoked.

Actual Practice of Government Regarding Human Rights

As pointed out in Reference B, Mexico's system of one party rule has given the executive branch of its government a certain flexibility in the degree to which it adheres to human rights guarantees. We believe that the kind of human rights violations which occur in Mexico do form patterns, but doubt that Mexico qualifies as a country where a "consistent pattern of gress violations" occurs.

Torture, Cruel, Inhuman or Degrading Treatment or Punishment

Torture and other similar violations of human rights frequently occur immediately after arrest during police interrogation, before the individual is considued, permitted attorney's counsel, or, in the case of an alien, consular access. The pattern appears to be that police officials have little to discourage their use of physical abuse to force a detained to cooperate fully with his interrogators. These violations occur in all kinds of instances, both in normal criminal arrests and in politically motivated detentions. In January 1975, an elderly member of the Mexican Communist Party died while in police custody, probably as a result of police interrogation. (See Ref F). Although the Government of









MEXICO A- 79 Page 3

Mexico clearly does not condone this officially or publicly, it just as clearly tolerates the abuse so long as it does not result in embarrassing public disclosures. It undoubtedly is also limited in its ability to change this centuries old pattern. To our knowledge, no administrative controls inhibit such practices, except consular access when it is gained in the case of an alien. Criminal sanctions exist but have not constituted an effective deterrent. To the best of our knowledge, in the past year, there occurred only one instance in which police officials were discharged and prosecuted for abuses of this nature.

Conditions in Mexican prisons are often deplorable but we would not term treatment or punishment inhuman or degrading in most instances. The mayor system, by which inmates are given supervisory responsibility over fellow inmates, including the power to extort, does result in a pattern of abuse, but these violations of human rights are probably minor relative to those described in the preceding paragraph.

Arbitrary Arrest, Detention, Incarceration Without Trial

Reference C is a still accurate description of GOM behavior under this heading: there does not exist a consistent pattern of gross violations of this kind. The GOM deleted in mid-1970 articles from the penal code concerning previously abused authority to arrest persons engaging in crime of "social dissolution". Persons arrested during the massive student demonstrations of 1968 had all been released by mid-1971. We are not aware of anyone presently incarcerated in Mexico who can properly be termed a "political prisoner". The last such person, agrarian leader Ramon Danzes Faloring, was released in November 1974.

Abuses continue to occur, however, in two ways. The GOM will occasionally detain persons belonging to political opposition groups and question ther regarding alleged illegal activities. They are usually released without charges. Two opposition unregistered parties (Mexican Party of Workers and Farty of Socialist Workers) have complained constantly of this kind of harassment. The editors of a radically leftist newspaper were detained in a military camp for nearly three weeks in September 1974 without being charged with any crime;









MEXICO A- 79 Page 4

their offices were ransacked and their newspaper closed down without any judicial authority.

A second pattern exists in GOM handling of terrorist activity. We believe the Government has little qualms in acting to destroy opponents who use terrorism as a tactic. Reference D describes what we believe to be an example of this kind of activity. GOM action against terrorists probably includes the full range of human rights violations.

GOM Condonation of Violations

As indicated above, some parts of the GOM obviously privately condone violations of human rights against detainees of all kinds during police interrogation, against terrorists, and to a lesser and milder degree, against political opposition. Administrative controls, if they exist, appear inadequate. Criminal sanctions are rarely applied, although this has happened. In the case of aliens, consular access as soon as possible after detention appears to be the best remedy for violations of this kind.

1974-1975 Amnesty International Report

The Embassy received from the Department in September 1975 a copy of a section of this report dealing with Mexico (pages 74-75). We believe the report correctly focuses on the de facto absence of procedural quarantees and would quality its findings in only a minor way. We know of no current prisoners who are "visibly prisoners of conscience"; the report implies that there are a few.

We are unaware of any other international regardrations taking an interest in human rights in Mexical

U. S. Diplomatic Steps

Embassy efforts to discourage violations and to provide observance of human rights have consisted primarily of our protesting violations against U.S. citizens. The Embassy has filed written protests of violations of different kinds with the Mexican foreign office on a number of occasions during 1975. Oral protests to the Attorney Generally to the Undersecretary of the Interior, to prison officials and other bureaucratic personnel have been Annumerable. A major and more concrete effort to pronote observance has been our insistence on the right of notification of arrest of a U.S. citizen and right







of consular access. Although compliance with directives of the Mexican Attorney General to observe these rights has been spotty, there has been some improvement.

We do not believe that the \$100,000 of training provided the Mexican military through scholarships and educational grants can in any reasonable way be connected with violations of human rights in Mexico. A more serious problem arises with regard to assistance granted Mexico for narcotics control; although reference A did not require reports on countries receiving such assistance, we believe a brief discussion of this issue is worthwhile.

Mexico is currently the largest recipient of FAA funds designated for narcotics control activities. Fortunately, none of the equipment and training provided can reasonably be connected to the type of violations which occur in Mexico, since the bulk of the equipment has been helicopters and the training has been for pilots. The USG has not provided individual agent training since 1973.

A connection between USG emphasis on narcotics control and human rights violations can arise in two ways, however. One is the presence of U. S. Drug Enforcement Agents in Mexico and their occasional participation in the interrogation process, usually as interpreters. To safeguard against any possible abuses arising in this fashion, the Embassy drew up a detailed set of guidelines for DEA operations in Mexico which we understand has been adopted as a model elsewhere in this hemisphere. These are contained in reference E.

A second connection has been raised by GOM officials themselves and is either a deliberate obfuscation or a (mis) conception which is probably shared by many Americans with relatives imprisoned in Mexico. Most succinctly stated by Mexican Ambassador to the United States de Olloqui, Mexicans believe the United States should choose between "soft treatment for U. S. citizens arrested and better enforcement action". This of course implies incorrectly that U. S. concern for the rights U. S. citizens have under Mexican law can be equated with "soft" or special treatment, but it is a theme Mexicans have seized upon and undoubtedly is appealing to the families of many citizens in Mexican jails. It has also been sounded by several journalistic







treatments of the priscner problem. There is one grain of truth in the connection, however. Many of the human rights viclations which occur in Mexico are the result of pervasive cultural and legal attitudes typical of lesser developed countries and which will be overcome only as the country gradually modernizes. Thus, to the extent that our emphasis on narcotics enforcement results in more narcotics arrests, instances of human rights violations will probably increase. Only by a perverse logic can this correlation become a justification for changing our priority emphasis on narcotics enforcement, and we need not be defensive about this result of this emphasis, but we should recognize that a tenuous connection exists.

. Xh

THOMPSON





RELEASED FULL Y



March 26, 1976

MEMORANDUM

TO:

ARA - Mr. George Lister

FROM:

ARA/MEX - John T. Dreyfuss

SUBJECT: Human Rights Report

Attached is the requested human rights report for Mexico.

Attachment:

As stated.

ARA/MEX:H.B.Lane:ac X 29480

UNITED STATES DEPARTMENT OF STATE REVIEW AUTHORITY: SAM A. MOSKOWITZ DATE/CASE ID: 26 AUG 1998 199403559

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MEXICO

I. Political Situation

President Echeverria's term expires December 1, and he cannot succeed himself. The candidate of the Institutional Revolutionary Party (PRI) in the July 4 Presidential election, Jose Lopez Portillo, has no real opposition. The PRI has been the dominant political force in Mexico since 1929; not only all of its presidential candidates but almost all of its candidates for state, municipal, and congressional offices have been elected. Its members currently hold all Senate seats and all governorships. The PRI is reformist oriented and has attempted to balance economic growth and social justice.

A disturbing wave of terrorism, which in 1974 and early 1975 captured headlines, has since abated although there are still occasional kidnappings, politically motivated nurders, bombings, and bank robberies. Most terrorism has been directed at industrialists and wealthy or important political personalities. The Mexican Government refuses to accede to terrorist demands and strong enforcement action appears to have thinned terrorist ranks. The GOM believes that such persons whatever their professed motivation, have committed crimes and are therefore sought and punished not for their beliefs but for their illegal acts.

In recent months, contradictory demands and clashes between landless peasants and commercial farm owners have caused the government concern. While the course to be followed is still unclear, it appears that the GOM will not tolerate illegal land seizures, but will rejuvenate and speed up its land reform program.

II. Legal Situation

Mexico is a party to the U.N. Charter, the OAS Charter, the Vienna Consular Convention, the Geneva Convention of

1949, the Genocide Convention, and various U.N. Human Rights Conventions. The Mexican Constitution of 1917 grants protections to the exercise of the various freedoms. Mexican legal practice provides the right of amparo, a uniquely Mexican protection provided the citizen against "coercive and abusive acts of authorities." The Mexican Constitution and legal practice are consistent with the principal articles of the Universal Declaration of Human Rights. Constitutional provision for State of Emergency exists, but has never been invoked.

III. Official Attitude and Practice

A. Integrity of the Person

The official attitude of the GOM does not condone human rights violations, and denies that human rights are ever seriously violated by the GOM.

B. Other Important Freedoms

Expression of political belief or opinion contrary to official policy or public positions of the Mexican Government is usually tolerated within relatively wide limits. Opposition publications have reportedly at times experienced difficulty in obtaining as much newsprint as they need but there is no official censorship.

IV. Non-USG Human Rights Reporting

Only Amnesty International has shown interest to our knowledge. Their report for 1974-75 appears to be generally accurate. We note that their reporting states that all torture allegations refer to the period following detention but prior to formal arraignment before a judge. It is during this same pre-arraignment period that a substantial number of allegations of abuse are received from U.S. citizens arrested on various charges (usually narcotics violations) in Mexico.

ARA/MEX:H.B.Lane:ac 3/24/76 X 29480

ARA/MEX:J.T.Dreyfuss

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I NOVEMBER 1976

FROM: MEXICO CITY 38264

IN 086483

TO DIRECTOR

PAGNE 1

THE FOLLOWING IS ATTACHMENT TO 1 NOV MESSAGE FROM MR. DONALD SYVRUD TO TREASURY DEPARTMENT FOR ATTENTION OF UNDER SECRETARY YEO. MR. SAM CROSS AND MR. F.L. WIDMAN.

SUBJECT: FOREIGN EXCHANGE DEVELOPMENTS IN 1976.

INTRODUCTION

1. THIS PAPER TRACES THE BANK OF MEXICO'S (BOM) FOREIGN EXCHANGE RESERVE POSITION AND INTERVENTION DATA FOR 1976, RECONCILES CHANGES IN THE RESERVE POSITION WITH INTERVENTION DATA. AND PROJECT THE BORROWING REQUIREMENTS AND FOREIGN EXCHANGE AVAILABILITIES FOR THE REMAINDER OF 1976. FOREIGN EXCHANGE RESERVES

2. THE BANK OF MEXICO'S GROSS FOREIGN EXCHANGE RESERVES AS OF OCTOBER 29, 1976, TOTALLED 778 MILLION, A DECLINE OF 797 MILLION SINCE DECEMBER 30, 1975. THE COMPOSITION OF GROSS RESERVES WON THE BASIS OF PRELIMINARY DATA ARE: GOLD, 264; IMF, 0; SDRS, 50;

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EX, 444; US TREASURY BILLS, 19; ACCEPTANCES, 1; NET BILATERAL PAYMENTS POSITION, 19; SEE TABLE 1.

(IF THE GOLD HOLDINGS ON OCTOBER 28 WERE VALUED AT A CONSTANT PRICE OF \$42.22 PER DUNCE, THE SAME VALUE AS OF DECEMBER 30. 1975. THE CHANGE IN GROSS FOREIGN EXCHANGE RESERVES WOULD AMOUNT TO \$955 MILLION).

THE BANK OF MEXICO'S NET FOREIGN EXCHANGE RESERVE POSITION, TAKING THE U.S. TREASURY SWAP INTO ACCOUNT, WAS \$436 MILLION ON OCTOBER 29. THIS TREASURY SWAP WILL BE PAID ON NOVEMBER 5, TO BE COVERED BY AN EQUAL DOLLAR AMOUNT DRAWN FROM THE ÎMF. (SDR 134 MILLION OF THE FIRST CREDIT TRANCHE AND SDR 185 MILLION OF THE COMPENSATORY FINANCING FACILITY ON NOVEMBER 1 AND 3).

- 3. INCLUDING THE SWAP AS A LIABILITY (SWAPS BEING PESO OBLIGATIONS ARE NOT A LEGAL FOREIGN EXCHANGE LIABILITY OF THE BANK OF MEXICO). THE DECLINE IN THE NET FOREIGN EXCHANGE POSITION OF THE BANK THROUGH OCTOBER 29 AMOUNTED TO \$1320 MILLION, AN AVERAGE OF \$132 MILLION PER MONTH.
- 4. THESE GROSS AND NET FOREIGN EXCHANGE POSITIONS ARE CONSIS-

NET FOREIGN EXCHANGE MARKET INTERVENTION

- 5. DURING THE FIRST TEN MONTHS OF 1976 TO OCTOBER 29, THE BANK OF MEXICO'S FOREIGN EXCHANGE OPERATIONS RESULTED IN NET SALES OF \$3400 MILLION. MONTHLY INTERVENTION DATA, SHOWING THE NET PURCHASES AS SALES TO THE PRIVATE SECTOR AND TO PUBLIC SECTOR ENTERPRISES, ARE INCLUDED IN TABLE 2.
- 6. THE ACCUMULATED INTERVENTION DATA ARE CONSISTENT WITH THOSE PROVIDED ON A DAILY BASIS.

 RECONCILIATION OF RESERVE AND INTERVENTION DATA
- RESERVE DATA AND INTERVENTION DATA IS AN UNDERSTANDING THAT THE MEXICAN ECONOMY OPERATES VIRTUALLY ON A TWO CURRENCY BASIS-DOLLARS AND PESOS. THERE IS COMPLETE CONVERTIBILITY BETWEEN THE TWO CURRENCIES AT ALL STAGES. INDIVIDUALS AND FIRMS, FOREIGN OR DOMESTIC, MAY HOLD PESO OR DOLLAR DENOMINATED ACCOUNTS IN COMMERCIAL BANKS.

 COMMERCIAL BANKS IN TURN MAY HOLD PESO OR DOLLAR DENOMINATED ACCOUNTS AT THE BANK OF MEXICO. THE ONLY LIMITATION ON COMMERCIAL BANKS IS THAT THEY ARE REQUIRED TO BALANCE THEIR FOREIGN EXCHANGE POSITIONS EACH DAY. PUBLIC ENTERPRISES ALSO HOLD DOLLAR DENOMINATED AS WELL AS PESO DENOMINATED ACCOUNTS AT THE BANK OF MEXICO.
 - 8. MOST OF THE DIFFERENCES BETWEEN RESERVE AND INTERVENTION

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DATA ARE ATTRIBUTABLE TO FREE CONVERTIBILITY AND THE RIGHT TO HOLD

DDLLAR DENOMINATED ACCOUNTS IN THE BANK OF MEXICO. MANY OF THE

TRANSACTIONS OF THE-BANKS OR THE PUBLIC ENTERPRISES ARE MERELY

"TRANSFERS" FROM THEIR PESO ACCOUNT TO THEIR DOLLAR ACCOUNT (OR

VICEVERSA) IN THE BANK OF MEXICO. SUCH A TRANSFER WOULD INVOLVE

A BANK OF MEXICO SALE OF DOLLAR FOR PESO (OR VICEVERSA) AND WOULD THUS BE INCLUDED IN INTERVENTION DATA. THE TRANSACTION WOULD ALSO

INCREASE (OR REDUCE) THE BANK OF MEXICO'S DOMESTIC DOLLAR LIABILITIES (TO THE BANK OR ENTERPRISE) BUT IT WOULD NOT AFFECT ITS GROSS

FOREIGN EXCHANGE HOLDING.

9. IF THE COMMERCIAL BANK (OR PE) SIMULTANEOUSLY REQUESTED A PAYMENT OF THE DOLLARS TO A U.S. BANK, THIS TRANSACTION, "FOREIGN EXCHANGE DRAFTS AND PAYMENT ORDERS" INVOLVES BOTH INTERVENTION (A BANK OF MEXICO'S SALE OF DOLLARS FOR PESOS) AND A RESERVE LOSS (A REDUCTION IN THE BANK OF MEXICO'S DOLLAR LIABILITY TO THE BANK AND A SIMILAR REDUCTION IN THE FOREIGN EXCHANGE ASSETS).

10. AT IF THE COMMERCIAL BANK (OR PE) REQUESTS A TRANSFER FROM ITS

DOLLAR ACCOUNT IN THE BANK OF MEXICO TO A FOREIGN BANK, THERE IS NO

PESO-DOLLAR TRANSACTION AND THUS NO INTERVENTION, BUT THE BANK OF MEXI-

CO AGAIN DRAWS DOWN ITS FOREIGN EXCHANGE RESERVES TO MAKE THE PAY-MENT ABROAD - AGAIN REDUCING ITS DOLLAR LIABILITY TO THE MEXICAN THE BANK OF MEXICO REFERS TO THIS TRANSACTION AS "TRANSAC" TIONS IN U.S. DOLLARS ONLY".

- COMPARISON OF CHANGES IN NET FOREIGN EXCHANGE RESERVE PO-(\$1320 MILLION PER PARA' 3) WITH NET

 MILLION PER PARA 5) RESULTS IN A DIFFE.

 PRECISE DATA TO RECONCILE THIS DIFFERENCE RESULTS IN A MAJOR

 OT READILY AVAILABLE, BUT WITH A MAJOR

 SETHER FROM DAILY WORKSHEETS. IN RECOG
 IN RECONCILING RESERVE AND INTERVENTION SITION THROUGH OCTOBER 29 (\$1320 MILLION PER PARA, 3) WITH NET INTERVENTION DATA (\$3400 MILLION PER PARA. 5) RESULTS IN A DIFFE-RENCE OF \$2,080 MILLION. FOR THE ENTIRE YEAR ARE NOT READILY AVAILABLE, BUT WITH A MAJOR EFFORT COULD BE PULLED TOGETHER FROM DAILY WORKSHEETS. NITION OF THE NEED TO BEGIN RECONCILING RESERVE AND INTERVENTION DATA THE BANK OF MEXICO INITIATED ON SEPTEMBER 16 A DAILY SUMMARY THESE DATA FOR SEPTEMBER WHICH FACILITATED THIS RECONCILIATION. 16 TO OCTOBER 19 ARE INCLUDED IN TABLE 3.
 - FAIRLY ACCURATE DATA ON NET CHANGES IN FOREIGN EXCHANGE RESERVES OF THE BANK OF MEXICO ARE AVAILABLE DAILY THROUGH CAL-CULATION OF THE THREE TRANSACTIONS DESCRIBED IN PARAGRAPHS 8-10 ABOVE.

BOTH THE COMMERCIAL BANKS AND THE PUBLIC ENTERPRISES ENGAGE IN ALL THREE OF THE TRANSACTIONS DESCRIBED ABOVE:

13. ANOTHER APPROACH TO EXPLAINING THE DIFFERENCE BETWEEN INTERVENTION AND RESERVE DATA IS TO EXAMINE THE OPERATIONS OF THE THE COMMERCIAL COMMERCIAL BANKS AND PUBLIC ENTERPRISES SEPARATELY. BANKS ARE REQUIRED TO DEPOSIT IN THE BANK OF MEXICO AN A VERAGE OF 75 PER CENT OF THEIR DOLLAR LIABILITIES. THE BANK OF MEXICO RECORDS THESE DOLLAR DENOMINATED DEPOSITS AS FOREIGN EXCHANGE LIABILITIES THROUGH OCTOBER 28, THESE LIABILITIES TO THE COMMERCIAL BANKS. INCREASED BY \$700 MILLION (FROM 7.5 MILLION ON DECEMBER 30. 1975 ASSUMING THIS AMOUNT AS A BANK OF TO 708 MILLION ON OCTOBER 28). MEXICO FOREIGN EXCHANGE LIABILITY, NET FOREIGN EXCHANGE RESERVES DECLINED \$2,039 MILLION (FROM 51567 MILLION ON DECEMBER 30, TO A NEGATIVE \$295 MILLION ON OCTOBER 29. INCLUDING A \$177 MILLION ADJUSTMENT FOR THE CHANGE IN THE GOLD VALUATION SYSTEM).

L4. TAKING ALL KNOWN ITEMS INTO ACCOUNT, WE CAN EXPLAIN \$2.020 MIL-

LION OF THE \$3,400 MILLION NET INTERVENTION LOSS. REMAINING \$1,380 MILLION IS ATTRIBUTABLE TO THE BANK OF MEXICOIS TRANSACTIONS WITH THE PUBLIC ENTERPRISES. WHEN A PUBLIC ENTERPRISE BORROWS DOLLARS FOR THE SPECIAL TRUST FUND, THE PROCEEDS ARE DEPOSITED IN A DOLLAR ACCOUNT IN A FOREIGN BANK TO THE ACCOUNT OF THE BANK OF MEXICO (AS A TRUSTEE). TO THE EXTENT THAT THE GOVERN-MENT OF MEXICO AUTHORIZES DELIVERY OF THOSE DOLLARS TO PUBLIC EN-TITIES, FOR PAYMENT OF IMPORTS OR DEBT SERVICES. THE TRANSACTION IS A "US DOLLAR ONLY" TRANSACTION, WITH NO INTERVENTION INVOLVED. TO THE EXTENT THAT THE GOVERNMENT OF MEXICO AUTHORIZES DELIVERY OF THE DOLLAR PROCEEDS FOR EXPENDITURES IN MEXICO, THE DOLLARS ARE CONVERTED INTO PESOS AND ARE INCLUDED IN THE INTERVENTION DATA AS A PURCHASE OF DOLLARS, FOR PESOS. TO THE EXTENT- THAT THE DOLLARS REMAIN ON ACCOUNT AT THE BANK OF MEXICO. THEY REMAIN AS A LIABILITY. ALL THESE TRANSACTIONS FROM BEGINNING TO END. ARE SIMULTANEOUSLY REGISTERED IN MEMORANDA ACCOUNTS.

15. DATA ON BANK OF MEXICO TRANSACTION WITH PUBLIC ENTERPRISES

ARE NOT READILY AVAILABLE. A MAJOR EFFORT WOULD BE REQUIRED TO

SUMMARIZE THE INCREASE IN BANK OF MEXICO USE OF TRUST FUND DOLLAR

RESOURCES.

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Declassified

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16. IN SUM, NET FOREIGN RESERVES HAVE DECLINED BY \$3.400 MILLION DURING THE YEAR TO OCTOBER 29. GROSS RESERVES HAVE DECLINED BY \$955 MILLION, AND FOREIGN EXCHANGE LIABILITIES HAVE INCREASED BY THE DIFFERENCES, OF WHICH 365 MILLION SWAP TO THE U.S. TREASURY, \$700 MILLION LIABILITY TO THE COMMERCIAL BANKS AND \$1,380 MILLION LIABILITY TO THE PUBLIC ENTERPRISES.

PROJECTIONS FOR NOVEMBER AND DECEMBER

SHOWN IN TABLE 5.

- 17. THE CRITICAL UNKNOWN IN PROJECTING THE BANK OF MEXICO'S FOR REIGN EXCHANGE REQUIREMENTS AND AVAILABILITIES FOR THE REMAINDER OF 1976 IS THE LEVEL OF SPECULATIVE CAPITAL OUTFLOW RESULTING.
 FROM A LACK OF CONFIDENCE. ON THE ASSUMPTION OF NO SPECULATIVE CAPITAL OUTFLOW AND, BASED ON THE BEST AVAILABLE DATA ON THE TREND OF THE CURRENT ACCOUNT AND REASONABLE ASSUMPTIONS REGARDING CAPITAL ACCOUNT MOVEMENTS. THE BANK OF MEXICO PROJECTS A \$204 MILLION NET INFLOW FOR THE FINAL TWO MONTHS OF 1976. THE PROJECTIONS AND THE ASSUMPTIONS ON WHICH THE PROJECTIONS ARE MADE ARE
- 18. THE BANK OF MEXICO IS PROJECTING A CURRENT ACCOUNT DEFICIT FOR THE LAST TWO MONTHS OF \$450 MILLION. THIS IS BASED ON A FORE-CAST DEFICIT FOR 1976 OF \$2.997 BILLION. OF WHICH \$2.103 MILLION

IS A PRELIMINARY ACTUAL THROUGH AUGUST. FOR THE FINAL FOUR MONTHS
THE BANK OF MEXICO EXPECTS A SMALLER (\$225 MILLION) MONTHLY DEFICIT THAN DURING THE EARLIER EIGHT MONTHS (263 MILLION). BUT STILL
BIGGER THAN THE FIRST QUARTER (\$212 MILLION).

- 19. PUBLIC SECTOR CAPITAL ACCOUNT TRANSACTIONS ARE PROJECTED BY THE FINANCE MINISTRY TO RESULT IN A NEW INFLOW OF \$654 MILLION.

 WITH AMORTIZATIONS OF \$800 MILLION AND BORROWING OF \$1.454 MILLION & THIS LATTER INCLUDES AN \$800 MILLION CREDIT ARRANGED BY THE BANK OF AMERICA FOV LATE NOVEMBER OR EARLY DECEMBER.
- 20. PRIVATE SECTOR CAPITAL ACCOUNT TRANSACTIONS BOTH LONG AND SHORT TERM. ARE AS SUMED TO BE IN BALANCE FOR THE REST OF THE YEAR WITH AMORTIZATIONS OF \$577 MILLION OFFSET BY BORROWING OF A SIMILAR AMOUNT. GIVEN THE EXCEPTIONALLY TIGHT MONETARY SITUATION. TO BE DESCRIBED LATER, THIS ASSUMPTION SEEMS REALISTIC.
- 21, FINALLY, THE U.S. TREASURY SWAP IS DUE FOR REPAYMENT ON NO VEMBER 5, TO BE COVERED BY DRAWINGS FROM THE IMP OF A SIMILAR
 AMOUNT ON NO VEMBER 2 AND 4.

THE KEY UNKNOWN IS THE AMOUNT OF SPECULATIVE CAPITAL FLIGHT BASED ON THE CONFIDENCE FACTOR.

LIST OF TABLES

SECAET

- 1. FOREIGN EXCHANGE RESERVES

 DEC. 1975 OCT, 28, 1976, BY MONTH

 (MILLIONS OF US DOLLARS)
- 2. NET FOREIGN EXCHANGE INTERVENTION

 FROM END OF DEC. 1975 TO OCT. 29, 1976. BY MONTH, WITH BREAKDOWN OF NET PUBLIC SECTOR AND PRIVATE SECTOR OPERATIONS.

 (MILLIONS OF US DOLLARS)
- 3. RECONCILIATION OF FOREIGN EXCHANGE RESERVE CHANGES AND NET INTERVENTION

 DATA SEPT. 17 TO OCT. 29, 1976 (TO BE POUCHED)

 (MILLIONS OF US DOLLARS)
- 4. BALANCE OF PAYMENTS 1976, BY QUARTER

 ACTUAL TO FIRST SEMESTER 1976 AND PROJECTIONS FORSECOND SEMESTER 1976.

 (MILLIONS OF US DOLLARS)
- PROJECTED FOREIGN EXCHANGE

 REQUIREMENTS AND AVAILABILITIES, NOVEMBER AND DECEMBER 1976,

 (MILLIONS OF US DOLLARS)
- 6. FOREIGN EXCHANGE RESERVE SEPT. 17 - 00T. 28, 1976 (TO BE POUCHED)

SECRET

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	•	TABLE NO	·			P
	•	TABLE NO	• L	1		Ç.C.
	DEC.75	JAN.76	FEB.	MAR.	APR.	_
GOLD	154.6(#)	152,0(#)	152.0(#	152.0(#) 396.1	De from
IMF	118.0	118.0	118.0	118.0	118.0	Declassified from Gerald R.
SDR	100.9	100.8	100.8	99.7	99.3	
FOREIGN EXCHANGE	1,111.8	.,041.7	1,196.9	1.114.3	853.8	Ford Library
NET BILATERAL	46.6	18.2	25.0	3Ø.6	41.3	Libraı
AGREEMENT			٠			ب ز
U.S. TREASURY BI	LLS 13.2	6.5	9.1	7.8-	5.6	
ACCEPT ANCES	30.1	13.9	24.5	20.0	23.0	
**	*****	-	~~.~~	***		
GROSS FOREIGN	•	•			·	•
EXCHANGE RESERVES	1.575.2 1	, 451,1	1,626,3	1,542,4	1,537.1	•
	MAY	Jun	JUL	ĀÚG	SEPT 0	CT
oold MF	396.1	96.1	364.5	337.Ø	361.8 2	64
MI	118.0 _ 1	18.0	118.0		113.1	
		SERR	FT	•		

SDR FR	98.8	98.3	98.4	98.7	49.1	. 5ø
rx	8 96 .1	1,039.5	754.5	750.3	530.5	4 44
	5ء 18	29.9	38.6	46.3	11.6	19
	10.4	10.0	5.7	13.4	11.6	19
	61,2	75.7	15.2			P == 0.00
-				•		· 1 -

GROSS FOREIGN

EXCHANGE RESERVES

1,599.1 1,767.5 1,394.9 1,363.7 1,077.7

CHANGE IN GROSS RESERVES

(#) GOLD IS VALUED AT 42.22 / 02

(##) GOLD IS VALUED AT 90 PERCENT OF THE AVERAGE U.S. DOLLAR MARKET PRICE FOR THE PRECEDING THREE MONTHS OR OF THE MOST RECENT DATE, WHICHEVER IS LESS.

(###) FIGURES AS OF END OF MONTH

SOURCE: BANK OF MEXICO, CLASSIFIED REPORTS.

TABLE NO. 2

NET FOREIGN EXCHANGE PURCHASES AND SALES
(INTERVENTION) BY MONTH, JANUARY - OCTOBER.

1976, WITH PUBLIC AND PRIVATE SECTOR OPERATIONS.

		1	
HLNOW	PRIVATE	PUBL IC	TOTAL
JANUARY	MINUS 188		
FEBRUARY	7.	C	,
MARCH	37	S S	O MY
APRIL	MI NUS 514	194	from (
MAY	MINUS 29	\$ 17	205
JUNE	MINUS 173	MINUS 316	8. Fo
JULY	MINUS 255	MINUS 133	388
AUGUST	MINUS 541	PLUS 55	4 86
SEPTEMBER	MINUS 256	MINUS 41	
OC TO BE R##	MINUS 637	MINUS 249	
	MI NUS 3, 223	MINUS 174	MINUS 3,397

OCTOBER 29, ۳۱ 93 ES TI MA TE **Z** ## IN CL UD ES

TABLE

PA YMEN TS P P MEXICAN BAL ANCE Ή FORECAST QUARTERLY

OF DOLLARS MILL 10NS

Page 14

******	JA NU AR Y MARCH#	APRIL '	JU LY AU GU ST	SE PT EMBER DE CEMBER	TOTAL -
I. BALANCE ON GOODS				## ** ** ** ** **	*****
& SERVICES	-635,1	-874.Ø	- 59 4, 4	- 907	
A. EXPORT OF GOODS				-893.6 -	2 997.1
" & SERVICES	1 704.8	1 827.Ø	1 170.6	2 062.0	6 764.4
1. MERCHANDISE	781.0	879.5	465.5	_	?
2. SILVER	35.6	38.7	27.0	62.0	3 260.5
3. TOURISM	237.6	202.8	152.4		163,3
4. INTERNATIONAL			42617	200. g	792.8' ^{\\\}
TRAVEL	23,8	25.1	18.0		
5. FRONTIER		•	10,0	33.1	100.0
TRANSACTIONS	391.2	405.1	310.0	704	
6. IN-BOND ASSEMBLY	•	•		381.6 1	487.2
PL ANTS	125,2	154.4	102.7		
7. OTHER				142.3	524.6
B. IMPORTS OF GOODS	-	~~~ ~ € 7	y.⊅ • Ø	108.5	435.3
.& SERVICES 2	339.9	2 701 a .	·		

S.E CRET

Page 15 BP-2

		•	· ·	July by	Sof-De	Voted
1.	MERCHANDISE 1	433.4	1 656.8	1 100.0 1	810.0 6	ØØØ.2
	A) PUBLIC SECTOR	560,8	525.4	350.Ø	572.0 2	ØØ8.2
	B) PRIVATE SECTOR	872,6	1 131.4	750,0 1	238.Ø 3	992.0
2.	TOURISM	70.6	118.2	90.0	101.3	38Ø.1 ₂
3.	INTERNATIONAL			ş.		
	TRAVEL	23.7	47.1	24.0	83.0	127.8g
.4 •	FRONTIER					Decla m Gei
	TRANSACTIONS	257.3	264.9	181.0	226.3	Declassified n Gerald R. 9 • 9 • 9 • 9 • 9 • 9 • 9 • 9 • 9 • 9 •
5.	DIVIDENDS &			•		. For
	INTEREST	198.9	204.5	120.0	240.0	763. 4 bran

OE RALS

	-			,	July by	Squt-Jac	<u>.</u>	· .	#3. * `
•	6 •	INTEREST ON		•	, 1 1	•		•	hoo
		OFFICIAL DEBTS	239,Ø	280.3	150.0	355.Ø	1 (024.	3
	7.	OTHER	117.0	129.2	100.0	190.0	. :	536.	\supset
_	II.	LONG-TERM	1 038.5	800.9	600.0 1	308.6	3	748.	eclassi Gegalo
	III	CHANGE IN THE	BANK OF			. •			fied R. F
	•	MEXICO'S		· · ·		•			I pio
		RESERVES 2/	403.4	-73.1	5,6	415.0	-	750.	ille article
				•				`,	<

#PRELIMINARY

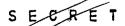
1/ ASSUMES A 4.5 PERCENT GROWTH RATE.

2/ INCREASE IN INTERNATIONAL ASSETS AND/OR CAPITAL OUTFLOWS.

TABLE .4

FOREIGN DEBT SERVICE OF THE PUBLIC SECTOR.

(MILLIONS OF DOLLARS)



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Page . Delt Service

		1976	1	.977	
		SE PT -D EC	J AN – J UN	JUL- DE C	- 4-4: 4 -
TOT	'AL	2 Ø35.0	3 662.2	3 794.2	Pho
A.	LONG TERM	755.Ø	1 530.0	1 722.0	le.
	INTEREST	355.0	830.0	770.0 -	r (from
	-AMORTIZATION	400,0	700.0	952.Ø	Declassified
В.	SHORT TERM	1 280.0	2 132.2	2 072.2	sified (A R.
	INTEREST	80,0	180.0	120.0	Ford
	AMORTIZATION	1 200.0	1 952.2	1 952.2	Ford Library
					·***

NOVEMBER-DECEMBER 1976

I. OUTF LOWS U.S. DLS.

MILLION

CURRENT ACCOUNT DEFICIT

450

PUBLIC DEBT PAYMENTS

8ØØ

B.1 LONG TERM

To be rolled over - (F.1) 200

	·	
B.2 SHORT TERM	600	
C. PRIVATE DEBT (TOTAL)	57 7	Estimated 1/6 of stort D
D. U.S. TREASURY SWAP	365	127 i long D
E. SUB-TOTAL -	2,192	
II. INFLOWS		Ph.
F. PUBLIC SECTOR DEBT	1.454	
F.1 LONG TERM	85 4	ý fro
F.2 SHORT TERM	600	doub ful vallovers GE
G. PRIVATE SECTOR DEBT	577	doub ful vallovers ? Good vollovers?
H. I.M.F.	365	Force
I. SUB-TOTAL	2,396	A STATE OF THE PARTY OF THE PAR
J. TOTAL (II - I)	PLUS 204	% A LO
K. ERRORS AND OMISSIONS	N . A .	3

I. OUTFLOWS.

A. CURRENT ACCOUNT DEFICIT. - ON BASIS OF AN ESTÍMATED CURRENT ACCOUNT DEFICIT OF U.S. \$2.997.1 FOR 1976, AND 893.4 FOR THE 4 MONTH PERIOD, SEPTEMBER-DECEMBER 1976, FOR 2 MONTH PERIOD NOVEMBER-DECEMBER A DEFICIT IS ESTIMATED AT US \$450 MILLION. THE DEFICIT IS BASED ON BANK OF MEXICO'S FIGURES AND DEFINITIONS, WHICH-DIFFER

NOTES AND ASSUMPTIONS FOR TABLE 5

FROM THE IMF ESTIMATES DUE TO NETTING OF REMITTANCES OF PROFITS

AND DIVIDENDS AND INVESTMENTS OF THESE. THERE IS ALSO A DIFFERENCE

OF APPROXIMATELY 300 MILLION IN THE ESTIMATES.

- B. SUM OF B.1 AND B.2.
- B.1. ON BASIS OF BALANCE OF PAYMENTS ESTIMATES FOR 1976. U.S. \$200 MILLION REPRESENTS PROJECTED AMORTIZATIONS OF PUBLIC SECTOR EXTERNAL DEBT.
 - B.2. ESTIMATES BASED ON BALANCE OF PAYMENTS FIGURES.
 - C. IT IS ASSUMED THAT:
- I) OUT OF TOTAL PRIVATE SECTOR EXTERNAL SHORT-TERM

 DEBT ESTIMATED AT US \$2,703 MILLION AS OF JUNE 30. 1976, 1/6 FALLS

 DUE ON THE 2 MONTH PERIOD AMOUNTING TO US \$450 MILLION.
- DEBT IS 5 YEARS; OUT OF A TOTAL OF US \$3,867 MILLION OUTSTANDING AS OF JUNE 30, 1976, IT IS ESTIMATED THAT US \$770 FALLS DUE IN 1976, AND OUT OF THAT, US \$127 MILLION IS DUE IN NOV-DEC 1976.



Page 20-20

THEREFORE, 450 PLUS 127 EQUALS 577 MILLION. Total med for

D. PAYMENT OF U.S. TREASURY SWAP.

F. RESULT OF F.1 AND F.2

F.1 HALF OF A TOTAL NET INFLOW OF US\$1,308.6 INCLUDED

1N BALANCE OF PAYMENTS ESTIMATES FOR 4 MONTH PERIOD SEPTEMBER854

DECEMBER 1976, PLUS US \$200 TO BE AMORTIZED (SEE B.1).

F,2 IT IS ASSUMED THAT ALL SHORT-TERM PUBLIC SECTOR
DEBT IS ROLLED OVER.

G. IT IS ASSUMED THAT ALL PRIVATE SECTOR DEBT (SHORT AND LONG TERM) IS ROLLED OVER (SEE C ABOVE).

H. I.M.F. DRAWINGS ON FIRST CREDIT TRANCHE AND COMPENSATORY FINANCING FACILITY.

E-2. IMPDET.

No Fed swap in estimales.

S E C R E T 021736Z NOV 76 STAFF

CITE MEXICO CITY 38268

TO: IMMEDIATE DIRECTOR.

TEXT FOLLOWS OF MR. DONALD SYVRUD 2 NOVEMBER MESSAGE FOR TREASURY UNDERSECRETARY YED, SAM CROSS AND F.L. WILMAN:

"COMFIDENTIAL NODIS

TO: UNDER SECRETARY YED, SAM CROSS, F.L. WIDMAN

FROM: D. SYVRUD

SUBJECT: MEXICOS EXTERNAL DEBT AND US BANK EXPOSURE

- 1. OUR BEST ESTIMATES OF MEXICOS END OCTOBER EXTERNAL DEBT, PUBLIC AND PRIVATE, IS \$25.3 BILLION WITH A PROJECTED FURTHER INCREASE TO \$25.9 BILLION BY THE END OF 1976. THE FOLLOWING TABLE GIVES A BREAKDOWN OF PUBLIC AND PRIVATE; SHORT AND NG TERM ESTIMATES AND OUR SOURCES.
- 2. BANK OF MEXICO OFFICIALS ESTIMATE THAT US PRIVATE BANKS HOLD AN AVERAGE OF 70 PERCENT OF THE TOTAL DEBT, WITH SHORT TERM DEBT ALMOST ENTIRELY HELD BY US BANKS. ON OTHER HAND, FEDERAL RESERVE DATA FOR MARCH 1976 SHOWED US BANK EXPOSURE AT \$10.5 BILLION, WHICH ABOUT HALF TOTAL ESTIMATED DEBT AT THAT TIME. ACTUAL US BANK EXPOSURE PROBABLY LIES SOMEWHERE BETWEEN THESE TWO EXTREMES, BUT CLOSER TO LOWER LEVEL. BOM OFFICIALS SAY THAT US BANKS CHANNEL CREDITS THROUGH ENTREPOTS WHICH ARE NOT INCLUDED IN FED DATA.

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PAGE 2 MEXICO CITY 38268 & E C R E I EXTERNAL DEBT

MEXICO'S EXTERNAL DEBT

(BILLIONS OF U.S. DOLLARS)

	DEC 1975	JUNE 1976	DEC 1976
PUBLIC SECTOR	14.8	17.0	19.3
SHORT TERM	2. 7	3.2	3.3
LONG-TERM	12.1	13.8	16.0
PRIVATE SECTOR	NA	6.6	6.6
SHORT TERM	NA .	2.7.	2.7
LONG TERM	NA	3.9	3.9
•	~~~~		
TOTAL EXTERNAL DEBT	NA	23.6	25.9

SOURCES IMF SM 76/200, TABLES XXI AND XVIII FOR DECEMBER 1975 AND JUNE 1976 PUBLIC SECTOR DATA. BOM ESTIMATES FOR JUNE 1976 PRIVATE SECTOR DATA (SEE NOTES OF TABLE 5 OF PREVIOUS TELEGRAM). ALL DECEMBER 1976 DATA ARE BASED ON ASSUMPTIONS AND PROJECTIONS IN BALANCE OF PAYMENTS DATA IN TABLE 5 OF PREVIOUS CABLE.

E2 IMPDET



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MEXICO: OUTLOOK FOR THE LOPE" PORTILLO ADMINISTRATION

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Summary

The outlook for the new Mexican Government is of special significance to the United States. A multitude of intertwined relationships—a mutual border, substantial bilateral trade, billions of dollars of US investment—join the two countries. As a result, the problems of one often have considerable impact on the other.

Jose Lopez Portillo, who took office as President of Mexico on December 1, faces a formidable array of problems at the opening of his six-year term. The short-term effects of some of the policies of his predecessor, Luis Echeverria, provide his most immediate tasks:

- --to restore confidence in government;
- --to stabilize an economy in psychological crisis since last fall's devaluations of the peso; and
- --to effect some reconciliation between business and labor, landowners and landless peasants.

Mexico's new President will also have to deal with more deeply rooted problems:

- -- the high under- and unemployment rate;
- --lagging industrial and agricultural productivity; and
- --skyrocketing population growth.

Lopez Portillo brings a variety of experience and skills to the job. A former professor

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Report No. 675 January 6, 1977

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and Secretary of Finance, he is an intellectual, a pragmatic, and a skilled administrator whose personal style is to stress reason and compromise rather than rhetoric and ideology. He appears, in the first weeks of his administration, to have made a good beginning on the tasks before him. His inaugural address, stressing calm, confidence, and reconciliation, and his cabinet appointments, indicating responsible administration, have generally been well received. In addition, he has taken steps to garner support from the private sector and to avert armed conflict over land invasions.

Under Lopez Portillo's administration, Mexican-US relations should improve. He has stressed the need for a more cooperative relationship between the two countries and is hoping for special trade preferences for Mexican exports, increased investment, and more US tourism to bolster the Mexican economy. In return, the US may look for a more constructive approach to the problem of illegal Mexican immigration, continued cooperation on the joint narcotics control program, and a more moderate stance from Mexico on Third World issues.

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Mexican President Jose Lopez Portillo, who took office on December 1, faces a formidable array of pressing problems at the opening of his six-year term. How effectively he deals or comes to terms with them holds important implications for the US.

Mexico's significance for the US lies in the multitude of intertwined relationships that join the two countries: a mutual border, substantial bilateral trade, billions of dollars of US investment in Mexico, and a host of jointly undertaken projects ranging from the eradication of agricultural pests to narcotics control. Because of this interrelationship, the domestic problems of one country often have considerable impact on the other--for example, Mexican unemployment becomes illegal immigration to the US; and US recessionary cycles depress Mexico's export and tourism industries, heightening its balance of payments deficit with the US.

Background

During the period from World War II to the early 1970's, Mexico's economic managers emphasized growth in industry and manufacturing, achieving an impressive, sustained GNP growth rate of more than 6 percent annually. However, as former President Echeverria found when he took office in 1970, the growth pattern had masked such basic national problems as an exploding population rate, burgeoning unemployment, neglected rural development, inequities of income distribution, and inadequate programs for the poorest sectors of Mexican society.

In an effort to build for the future, the Echeverria administration poured huge sums into ambitious long-term projects--dams, steel mills, increased petroleum exploration--and into social programs, including schools, roads, and hospitals. Hit hard by the "stagflation" that gripped the US in the mid-1970's, Mexico saw a sharp drop in tourism and export earnings and a steep rise in the cost of imports at the same time that government spending and borrowing were at an all-time high. By the spring of 1976, Mexico's foreign



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debt was estimated at some \$22 billion, pressures were building for the devaluation of the peso, and the private sector was becoming increasingly concerned by Echeverria's anti-business diatribes. Devaluation rumors, begun in April, became a self-fulfilling prophecy as capital flight snowballed, forcing Echeverria to take the necessary—but bitter—pill of allowing the devaluation of the peso on September 1.

In the wake of a second devaluation on October 26, rumors of an "imminent coup"--although unfounded--gained widespread credence, an indication of how badly public confidence was shaken. These numors were exacerbated by Echeverria's sudden action in mid-November seizing some 250,000 acres of privately owned agricultural land for distribution to landless peasants. Additional land distributions on the eve of his departure from office raised the hopes of additional thousands of landless peasants and resulted in widespread land invasions in northern Mexico. As Echeverria relinquished the presidency, Mexico was in the grip of a psychological crisis.

Two Transitions

Echeverria's inheritance, on taking office from Diaz Ordaz, was a prospering economy but a middle class restive under the authoritarian one-party system, and a shockingly neglected segment of society -- the rural and urban poor -which had not shared in the prosperity. Student violence was high, and pressures from the left threatened to force Echeverria to turn to increasing repression in order to govern. Considered at the beginning of his term to be another conservative president, little different from the lackluster Diaz Ordaz, Echeverria instituted a number of social programs and surprised observers by outflanking the left with rhetoric -- a favorite move being to call demonstrating leftist students "fascists." Although private-sector profits certainly did not suffer under Echeyerria (they were, in fact, at an all-time high), private-sector psychology eventually succumbed to the years of Echeverria's leftleaning verbal barrage, resulting in cutbacks in private investment and a torrent of capital flight.

On leaving office, Echeverria said that the accomplishments of his administration will be better understood in the future than they are today. He is probably right. Although his immediate legacy to Lopez Portillo appears to be a





national economy in disarray and a badly divided society, these are short-term effects that Lopez Portillo--with skill and a little luck--can overcome in the first years of his term. In the long run, Echeverria's investments in infrastructure should provide a solid basis for further expansion of Mexico's fundamentally sound economy--particularly in petroleum and steel.

There is, however, another bequest from Echeverria that is likely to cause difficult medium-term problems for Lopez Portillo. By raising the expectations of the landless campesinos for more land and of labor for continuing wage increases, Echeverria encouraged demands that Lopez Portillo could fulfill only at the expense of agricultural productivity and higher industrial prices. However, higher productivity and greater production are major components of Lopez Portillo's economic stabilization program. Openly to deny these demands could require stern repressive measures; Lopez Portillo is more likely to follow the time-honored-and more prudent--course of watering down demands by persuading sector leaders of the need for restraint. President will find his ability to achieve compromise between conflicting interest groups put to the test from the very first days of his administration.

Lopez Portillo

Lopez Portillo, at 56, brings a variety of experience and skills to the presidency, which should stand him in good stead at this juncture in Mexico's political life. Trained as a lawyer, he taught history and political science for some 20 years at Mexico's National University and at the Polytechnic Institute. His public service career includes experience in the Secretariat of National Patrimony and in the Secretariat of the Presidency, and he has served as Director General of the Federal Electricity Commission and as Secretary of Finance. He is an intellectual and a pragmatist as well as a skilled administrator, willing to delegate authority and interested in streamlining the government structure. His style is to emphasize reason and compromise, rather than rhetoric or ideology, and he is inclined to take a realistic and moderate approach to problems.

Inaugural Speech

Lopez Portillo's inaugural speech appears to give a good picture of the man, his style, and his priorities.



Statesmanlike--in parts, eloquent--it was clearly an allout effort to restore the heavily eroded confidence in
government. In it, he realistically acknowledged the many
problems facing Mexico and frankly admitted that he needed
time and the cooperation of all elements of society to deal
with them. Emphasizing that the greatest danger to Mexico
is fear, he asked for time, patience, faith, and goodwill to
bind up the nation's wounds.

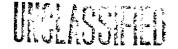
The address, largely devoted to economic policy, called for an austerity program and a national effort to increase production and promised to restructure taxes, cut government spending, reduce foreign borrowing, control imports, and attack the problem of inflation.

Lopez Portillo did not oùtline specific programs, but spoke at length on the economic policies that his government would pursue:

- --Exchange rate. No fixed exchange rate was announced, and no promise was made to establish one in the future. The President, however, spent an appreciable amount of time explaining to the public the real meaning of devaluation and indicated that he would introduce measures designed to discourage capital flight.
- --Balance of payments. The size of Mexico's huge foreign debt was not mentioned, but the President promised that foreign borrowing by the public sector will be limited to that required for capital goods; attention will be given to increasing labor-intensive exports; and, for the private sector, moves will be made to substitute tariff protection for import quotas.
- --Investment policy. The government will seek to focus domestic and foreign investment primarily on agriculture and livestock, energy, petrochemicals, mining, steel, capital goods, transportation, and basic consumer goods.
- -- Tax policy. The President called for the adjustment of tax rates for inflation and the reinstatement of progressive taxation of incomes. To encourage reinvestment, higher tax rates will be applied to companies' distributed profits.
- --Wages and prices. Stressing the need to avoid further deterioration of income distribution, the President

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proposed to tie salaries to an improved cost-of-living index and to make strong efforts to control inflation.

- --Natural resources. Mexico must make rational but intensive use of its natural resources. Citing fossil fuels as an example, Lopez Portillo warned against past errors of senseless waste and pressed for improved use of such non-renewable energy sources as oil, gas, and coal, until techniques in atomic, solar, and geothermal energy are developed.
- --Agriculture. Mexico will emphasize the need to become self-sufficient in food production, and a program will be set up for technical research in tropical agricultural areas. Lopez Portillo did not, however, spell out his policy on agrarian reform.
- --Industrial development. Special emphasis will be placed on stimulating the agricultural, mining, and steel industries, with support for small- and medium-sized operations. A special ministry will be set up to coordinate industrial sector affairs.

Foreign policy was dealt with only briefly. The President stressed the continuity of Mexico's traditional foreign policy, based on the principles of sovereignty, independence, and international solidarity. He pledged support for the Charter of Economic Rights and Duties of States (CERDS) and reiterated Mexico's determination to continue to press for the peaceful resolution of conflicts and the prohibition of weapons that threaten humanity's existence.

Finally, Lopez Portillo proposed three new laws related to reform of government administration which indicate his concern for streamlining government structure in order to increase its efficiency and responsiveness:

- --an administration law to reorganize and regroup the cabinet ministries, possibly creating a few "super" ministries;
- --a public debt law that would give the Mexican Congress better control over executive branch expenditures; and
- --a government expenditure law that would place a single ministry, similar to the US Office of Management and Budget, in charge of the budget and government spending.

The Cabinet

Lopez Portillo's selections for cabinet and other high government positions are generally of high quality and have been favorably received by political groups of the center and the right. Breaking with the Echeverria administration, Lopez Portillo has demonstrated his independence by surrounding himself with close associates and has retained only two of Echeverria's former cabinet officers—both of whom received posts of lesser importance. While many other Echeverria appointments have been kept on in second—and third—level positions, Lopez Portillo has made it clear that he intends to be his own man—another reassuring sign to the private sector.

Among his major cabinet appointments are:

- -- Secretary of Government, Jesus Reyes Heroles;
- -- Secretary of the Presidency, Carlos Tello Macias;
- -- Secretary of Finance, Julio Rodolfo Moctezuma Cid; and
- -- Secretary of Foreign Relations, Santiago Roel Garcia.

These men are close to Lopez Portillo, have broad previous experience in government, and generally have established good records in administration, planning, and finance.

- The relative importance and responsibilities of some of the other cabinet positions remain unclear, pending the passage of Lopez Portillo's bill to reorganize the government. In his proposal, already before Congress, the President seeks to streamline the unwieldy Mexican oureaucracy in order to reduce waste and duplication and to improve its usefulness as an instrument of planning. His program calls for:
 - --a merger of the Secretariats of Agriculture and Hydraulic Resources to maximize agricultural and forestry production;
 - --a combined Secretariat of Patrimony and Industrial Development, noting that energy resources are the key to Mexico's development and that only by their sound and expeditious exploitation can basic industries flourish;





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- --a new Secretariat of Commerce to coordinate production and distribution, to promote the competitiveness of Mexican exports, and to manage import control policy;
- --a new Secretariat of Human Settlements and Public Works to unite government programs related to housing, population, and urban welfare;
- -- a new Secretariat of Programming and Budget to combine the planning and budget activities now scattered among three Secretariats; and
- -- the creation of a Secretariat of Fishing to encourage exploitation and consumption of fisheries resources.

Prospects

Many of the problems facing Lopez Portillo are the enormous and intractable issues that faced his predecessor—skyrocketing population growth, a staggering unemployment rate, and an ever-widening gap between rich and poor. Before he can begin to wrestle with these, however, Lopez Portillo must first deal with more immediate problems left him by Echeverria: restoration of confidence in government, stabilization of the economy, improvement of balance of payments, and reconciliation or compromise between such conflicting interests groups as business and labor, peasants and landowners. On some of these he has made a good beginning:

- --his inaugural address, stressing calm, reconciliation, and confidence, was well received by the public;
 - --his cabinet appointments, indicating responsible administration, buoyed the mood of the private sector;
 - -- the armed confrontations over land invasion appear to have been diverted into legal channels, at least for the present; and
 - --his private talks with businessmen have garnered support for his first investment and development programs.

His next immediate challenge came from labor's threat to demand huge wage increases on January 1, which, if granted, could have seriously jeopardized economic stabilization measures. However, a compromise was achieved, with increases of 9 and 10 percent authorized. In his choice of



the highly capable and efficient Pedro Ojeda Paullada, former Attorney General, for the post of Secretary of Labor, Lopez Portillo seems to have indicated his concern that the labor sector may present his administration with some of its most difficult problems. Ojeda's effectiveness is increased by the addition to his team of Alejandro Gertz, formerly his executive officer in the Attorney General's office.

If private-sector confidence can be restored, reversing capital flight and encouraging savings and investment, Lopez Portillo will likely turn to the two major items stressed in his campaign:

- --stimulating agricultural production to make Mexico self-sufficient in food, create jobs in laborintensive agriculture, and provide farm products for export; and
- --increasing development of Mexico's energy resources, particularly petroleum and natural gas, to fuel an expanding economy and provide needed foreign earnings.

The problems facing the Lopez Portillo government are formidable, and the most deep-rooted cannot be solved within the term of one administration. However, Mexico's basically sound economy and wealth of natural resources should, with careful nurturing and a favorable international economic climate, provide the growth necessary to keep those problems within manageable limits.

Implications for Mexican-US Relations

Mexican-US relations, in the main friendly and cooperative for three decades, suffered during the term of President Echeverria. His verbal blasts at the US, economic imperialism, and allusions to "dark interests" promoting Mexico's "economic destabilization" took a heavy toll of US goodwill, as did his unprecedented (for Mexico) activism in international forums and his ardent espousal of Third World causes.

Lopez Portillo is well aware that these actions have hurt Mexico in tangible ways, including a drop in US tourism and reduced US investment. He has repeatedly stressed his desire for a friendlier, more cooperative relationship with the US and indicated that his choice of Ambassador to the US would be one of his most important appointments. He has chosen Hugo Margain, a former Finance Minister, who served

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as Ambassador to the US from 1965 to 1970 and, most recently, as Ambassador to Great Britain, where he is said to have forged strong economic links for Mexico among British financial circles. Margain has long been a champion of Mexico's efforts to assert greater political and economic independence from the US. He nevertheless favors a close working relationship between the two countries on matters of mutual concern. This, coupled with his strong economic and financial background, points toward the course that Lopez Portillo will pursue with the US, emphasizing:

- --friendship and cooperation, but not at the cost of compromising Mexico's independent posture;
- --increased US investment in Mexico, but channeled into areas serving Mexican development goals; and
- --US trade preferences to allow Mexico to boost its manufactured and agricultural exports to the US.

Lopez Portillo understands the constraints placed on these measures by the US political process. He hopes, nevertheless, that the US will show its support by early action on such matters as an increase to \$200 in US customs exemption to encourage more US tourism to Mexico and legislation to grant Mexico a higher US legal immigration quota.

In three areas of major interest to the US--narcotics, illegal migration, and petroleum--the prospects are mixed. Lopez Portillo has pledged his all-out support in continuing Mexico's efforts in the joint narcotics control program, with emphasis on poppy eradication. In the last year, this program has seen some success in reducing the supply of Mexican heroin available in the US. However, corruption among some Mexican officials is a problem, and although Lopez Portillo has promised to wage war against this, he is likely to find it a well-nigh impossible task. Nevertheless, to the extent that Mexico continues its commitment to the narcotics control program and that official corruption can be contained or limited, some continued diminution of the quantity of "Mexican brown" reaching the US can be expected. As long as the demand for narcotics in the US continues, however, Mexico will remain a prime transit point for drugs from other areas destined for the US.

Illegal migration, with deep roots in Mexico's most intransigent problems--population growth, unemployment,

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rural and urban poverty--seems unlikely to abate. Lopez Portillo hopes to combat the labor outflow by creating more jobs in industry and agriculture and is looking to greater US involvement to help create those jobs. Higher employment and lower birth rates, however, are long-term approaches. In the meantime, illegal migration to the US will continue, building pressures within the US for tighter border control and more deportations and building reactions in Mexico to violations of the migrants' human rights. To the extent that such measures--if they are taken--prove successful in shutting off the US safety valve, the Mexican Government will face increasing social unrest at home.

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A wide range of proposals concerning "undocumented aliens" is being discussed at various levels in the Mexican Government:

- --resurrection of the "bracero program" for temporary Mexican labor;
- -- the formation of a joint US-Mexican commission to study the problem and make recommendations to both governments; and
- -- the creation of special industries in rural areas of high emigration which would receive special support from the US Government for their exported products.

Given the complexities of the issue, the lack of a broad base of factual data on illegal immigration, and Lopez Portillo's pragmatic orientation, it seems likely that Mexico may propose a joint study as an initial step.

Mexico's oil reserves are presently estimated at some 20-40 billion barrels, and exploration by Pemex, the Mexican Government-owned petroleum company, continues to locate promising areas for future drilling. Further testing may reveal that Mexico's reserves range close to the 60-billion-barrel mark--about the extent of Kuwait's. With the increased investment in exploration, drilling, and production capacity of recent years, Mexico has once again become self-sufficient in oil and, in 1976, began exporting crude oil, reaching a year-end rate of some 100,000 barrels a day. Given a major production effort, it is estimated that Mexico's exports could reach 300,000 b/d in 1977 and 850,000 b/d in 1979.

Lopez Portillo has called for increased--but rational--exploitation of Mexico's energy resources. He has named as





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Director General of Pemex, Jorge Diaz Serrano, a long-time friend and a former private contractor to Pemex for oil exploration. Diaz is said to be highly knowledgeable on both the technical and financial aspects of petroleum production and to be favorably disposed toward Mexican private business and US oil companies.

Although pressures exist for a conservationist approach, and some quarters favor exporting only refined petroleum products, Mexico's current foreign indebtedness would appear to dictate that—at least over the next decade—every effort be made to lift and export crude oil as rapidly as possible. This rapid production would allow Mexico to reduce its debt and provide capital for expansion of other aspects of its economy. To make the concerted development effort, Pemex would require additional equipment and technical assistance, especially for offshore drilling—a situation that could provide opportunities for US petroleum—related industries. Mexico's nationalistic sensitivities, however, would require the utmost delicacy in handling any foreign connections in the development of its petroleum industry.

Beyond the term of Lopez Portillo, it seems likely that Mexico, once its debt problems become more tractable, would revert to a more conservationist approach to its petroleum resources:

- -there is a built-in reluctance to allow any one factor to dominate the economy;
- --too-rapid development and production would result in waste of associated natural gas and limit the long-term productivity of the fields.

In the international arena, the US can expect a more moderate stance from Mexico and, perhaps, an atmosphere of better understanding in working out compromises on such issues as Law of the Sea, disarmament, and Third World demands for a New International Economic Order. Lopez Portillo has felt that his predecessor's frenetic involvement in every Third World cause has proved of no benefit to Mexico and, in fact, has occasionally involved the country to its detriment in quarrels not its own. Moreover, Mexico's large foreign debt and its need for continued inflows of private and official investment tend to dictate moderate courses of foreign policy aimed at retaining US and other international confidence in the country's management. Under Lopez Portillo,

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Mexico can be expected to focus its energies on the multilateral issues that directly involve its own interests.

On balance, then, while the US can expect a friendlier tone and greater cooperation in working with the Lopez Portillo government on matters of mutual concern, it must also expect hard bargaining and must attempt to forge compromises over the thorny issues on which Mexico's interests diverge from those of the US.

Prepared by D. E. Morris x22557

Approved by L. E. Misback x20584

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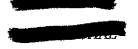
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SUBJECT: HUMAN RIGHTS EVALUATION REPORT--MEXICO

REF: (A) STATE 140421, (B) STATE 141243, (C) STATE 161685

FOREWORD: IN PROVIDING THE FOLLOWING ASSESSMENT, THE EMBASSY'S CLEAR UNDERSTANDING OF THE GROUND RULES FOR USE OF THE REPORT IS THAT IT IS FOR THE INTERNAL USE OF ELEMENTS OF THE DEPARTMENT AND OF OTHER EXECUTIVE-BRANCH AGENCIES TO WHICH STATE MAKES IT AVAILABLE. BY THE NATURE OF THE REQUIREMENT IN REF (A), ASSESSMENTS TEND TO FOCUS ON VIOLATIONS OR INFRINGEMENTS OF HUMAN RIGHTS RATHER THAN TO CONCENTRATE ON POSITIVE ASPECTS OF THE HUMAN RIGHTS SITUATION. THE EMBASSY HAS ATTEMPTED TO DESCRIBE THE SITUATION IN THE OVERVIEW PARAGRAPH THAT FOLLOWS. OUR UNDERSTANDING IS THAT NEITHER THE WHOLE ASSESSMENT NOR ANY PORTION OF IT WOULD BE MADE PUBLIC. PUBLIC RELEASE WOULD BE HARMFUL TO THE FUTURE COURSE OF U.S.-MEXICAN RELATIONS.

A. CONDITION OF HUMAN RIGHTS IN MEXICO-OVERVIEW. THE SITUATION OF HUMAN RIGHTS IN MEXICO CAN BE DESCRIBED AS GOOD WITHIN THE CONTEXT OF A DEVELOPING COUNTRY WITH A BASICALLY ONE-PARTY SYSTEM. ALTHOUGH THERE ARE EXCEPTIONS



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(NOTED BELOW) TO THIS RECORD, IT IS IMPORTANT TO KEEP IN MIND THAT THE "AVERAGE MEXICAN"--LIMITED ONLY BY HIS ECONOMIC, SOCIAL AND CULTURAL MEANS--CAN READ ANY AUTHOR, TRAVEL AND SETTLE IN THE COUNTRY FREELY, COMPLAIN ABOUT THE GOVERNMENT, SPEND HIS MONEY AS HE WISHES, AND GENER-





ALLY LIVE HIS ENTIRE LIFE WITHOUT EXPERIENCING BEING FOLLOWED, SPIED UPON, OR WIRETAPPED. HOWEVER, THOSE DEEPLY TIED TO THE POLITICAL SYSTEM (I.E., NEWSPAPER EDITORS) OR THOSE SERIOUSLY THREATENING THE SYSTEM (I.E., TERRORISTS), WILL FIND THEIR HUMAN RIGHTS TO BE MUCH MORE LIMITED. AND THOSE MEXICANS WHO FORM PART OF THE ECONOMICALLY MARGINAL POPULATION, WHILE HAVING THE SAME POLITICAL FREEDOMS AS THE "AVERAGE MEXICAN", SUFFER FROM A DEPRIVATION OF THEIR BASIC ECONOMIC, SOCIAL AND CULTURAL RIGHTS. END OVERVIEW.

1. RESPECT FOR INTEGRITY OF PERSON. MEXICO'S MOST CON-SISTENT PATTERN OF VIOLATIONS WITH RESPECT TO INTEGRITY OF THE PERSON HAS OCCURRED IN THE PERIOD IMMEDIATELY FOL-LOWING ARREST, WHERE PSYCHOLOGICAL AND PHYSICAL ABUSE IS NOT UNCOMMON, ESPECIALLY DURING INTERROGATION. BOTH MEXICANS AND FOREIGNERS HAVE BEEN SUBJECTED TO SUCH TREAT-MENT. WHILE EMBASSY CANNOT PROVE IT, IT IS BELIEVED THAT MEXICAN SECURITY OFFICIALS HAVE DEALT WITH TERRORISTS IN THE PAST BY MURDERING THEM INSTEAD OF BRINGING THEM TO TRIAL. ON OCCASION, MEXICAN POLICE HAVE INVADED THE HOMES OR PLACES OF BUSINESS OF SUSPECTS. BUT NEITHER OF THESE TWO LATTER VIOLATIONS HAVE AMOUNTED TO A WIDESPREAD OR CONSISTENT PATTERN. BECAUSE OF THE PROBLEM OF CORRUPTION AND BECAUSE OF THE POLITICIZED NATURE OF THE JUDICIAL. SYSTEM, IT IS OFTEN DIFFICULT TO OBTAIN QUALIFIED LEGAL COUNSEL OR TO BE ASSURED OF A FAIR TRIAL. IT MUST BE NOTED THAT NONE OF THESE VIOLATIONS IS JUSTIFIED BY THE CONFIDENTIAL

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GOM IN ANY PUBLIC POLICY.

2. RESPECT FOR CIVIL AND POLITICAL LIBERTIES.

(A) FREEDOM OF THOUGHT, RELIGION, ASSEMBLY--THE GOM INFREQUENTLY EXERCISES PRIOR CENSORSHIP OF THE PRESS (E.G., BY "SUGGESTING" HOW A STORY IS TO BE HANDLED, OR THAT IT SHOULD NOT BE PRINTED), BUT USUALLY RELIES INSTEAD ON PRESS SELF-CENSORSHIP AND UNDERSTANDING OF "RULES OF THE GAME", SUCH AS NO DIRECT CRITICISM OF THE PRESIDENT OR THE MILITARY. THE GOM UNDER ECHEVERRIA, ON THE ONE HAND, PERMITTED MORE OPEN CRITICISM OF SOCIO-ECONOMIC CONDITIONS AND OF THE POLITICAL SYSTEM, BUT ON THE OTHER HAND, ECHEVERRIA WHILE PRESIDENT ACQUIRED THE LARGEST NEWSPAPER CHAIN IN COUNTRY, AND THE GOM ILLEGALLY CLOSED RADICAL LEFTIST NEWSPAPERS WHOSE EDITORS MAY HAVE HAD TIES WITH TERRORISTS, AND ENGINEERED THE OUSTER OF THE EDITOR OF





THE MOST INFLUENTIAL NEWSPAPER IN MEXICO. IN OTHER MEDIA AND INTELLECTUA CIRCLES, A FAIRLY FREE PLAY OF IDAS IS ALLOWED. THERE ARE NO LEGAL OR OTHER RESTRICTIONS ON THE PRACTICE OF RELIGION. FOR REASONS EXPLAINED BY MEXICO'S RECENT HISTORY, THERE ARE CONSTITUTIONAL RESTRICTIONS ON RELIGIOUS EDUCATION (ALTHOUGH PAROCHIAL SCHOOLS OPERATE OPENLY), ON CHURCH OWNERSHIP OF PROPERTY AND A CONSTITUTIONAL PROHIBITION OF POLITICAL PARTICIPATION OF CLERGY. ASSEMBLY HAS FEW REAL RESTRICTIONS, ALTHOUGH DEMONSTRATIONS AND MARCHES REQUIRE GOM PERMITS, WHICH NORMALLY ARE GRANTED.

(B) FREEDOM OF MOVEMENT--THERE ARE NO RESTRICTIONS ON EMIGRATION OR FOREIGN TRAVEL OR CHANGE OF RESIDENCE.

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(C) DEMOCRATIC PROCESSES/FREEDOM TO PARTICIPATE IN THE POLITICAL PROCESS--OCCASIONALLY PEOPLE ARE IMPRISONED OR QUIETLY EXILED FOR THEIR POLITICAL ACTIVITIES. HOWEVER, IN MARCH OF 1977, IN RESPONSE TO A CAMPAIGN PROMISE, PRESIDENT LOPEZ PORTILLO ORDERED THAT CHARGES BE DROPPED AGAINST 424 INMATES WHO HAD COMMITTED NON-VIOLENT POLITICALLY MOTIVATED CRIMES. THE PRINCIPAL SHORTCOMING OF THE FORMAL DEMOCRATIC PROCESS OF CANDIDATE SELECTION AND ELECTIONS IS ITS IRRELEVANCE TO THE DE FACTO PROCESS IN WHICH AN ELITE MINORITY MAKE MAJOR DECISIONS. BUT WITHIN THE PRI/GOM SYSTEM THERE IS CONSIDERABLE GIVE AND TAKE, IDEOLOGICAL VARIATIONS, AND AN ATTEMPT ON THE PART OF THE RULING ELITE TO BE RESPONSIVE TO THE POLITICAL AND ECONOMIC





NEEDS OF THE COUNTRY. THE GOM HAS BEEN CONDUCTING PUBLIC HEARINGS ON PROPOSED POLITICAL REFORM, THE PROBABLE OUTCOME OF WHICH WILL BE TO REGISTER ADDITIONAL POLITICAL PARTIES. THIS IS NOT LIKELY, HOWEVER, TO ALTER THE BASIC CHARACTERISTICS OF THE SYSTEM IN THE NEAR TERM.

3. GOVERNMENT TRENDS: FOOD, SHELTER, HEALTH CARE, ETC.

(A) THE NEEDS OF THE POOR--THE ECHEVERRIA ADMINISTRATION (1970-1976) EXPANDED GOVERNMENT SERVICES IN THE AREA OF SHELTER, HEALTH CARE, EDUCATION AND FOOD. THE DEGREE TO WHICH THESE INCREASED SERVICES BENEFITED THE

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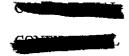
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POOREST 20 PERCENT OF THE POPULATION IS DIFFICULT TO DETER-MINE. ON THE ONE HAND, THE 3.5-PERCENT POPULATION GROWTH RATE IMPLIES A HIGHER SOCIAL SERVICES REQUIREMENT WITHOUT AN INCREASE IN PER CAPITA BENEFITS. ON THE OTHER HAND, THE POOREST SEGMENTS OF MEXICO'S POPULATION ARE THOSE LIVING IN VERY REMOTE RURAL AREAS WHERE IT IS VERY DIFFI-CULT TO PROVIDE SOCIAL SERVICES. STILL, THE PAST GOVERN-MENT MADE AN EFFORT TO EXPAND SOCIAL SERVICES AND THE NEW GOVERNMENT SEEMS EQUALLY CONCERNED WITH THE PLIGHT OF THE LOWER INCOME GROUPS. EXACTLY HOW THEY WILL APPROACH THE PROBLEM IS NOT YET CLEAR. AT THE MOMENT, THEY ARE GOING THROUGH AN ECONOMIC ADJUSTMENT/STABILIZATION PROGRAM BASED ON AN AGREEMENT WITH THE IMF AND DO NOT APPEAR TO BE INCREASING SPENDING ON SOCIAL SERVICES. (B) CORRUPTION--ALTHOUGH IT IS IMPOSSIBLE TO DOCUMENT, A WIDESPREAD PERCEPTION AMONG MEXICANS, U.S. ACADEMICIANS, AND EMBASSY CONTACTS IS THAT CORRUPTION IN MEXICO IS PERVASIVE AND DIVERTS SIGNIFICANT RESOURCES TO A MINORITY ELITE. THE GOM UNDER JLP HAS PROSECUTED SEVERAL AREAS OF GOVERNMENT CORRUPTION, BUT THESE APPEAR TO BE UNDERTAKEN FOR POLITICAL REASONS.

4. GOVERNMENT'S RESPONSIBILITY FOR HUMAN RIGHTS RECORD.
MEXICAN GOVERNMENT CAN BE HELD GENUINELY RESPONSIBLE
FOR HUMAN RIGHTS VIOLATIONS PRIMARILY IN THE AREA OF VIOLATIONS REGARDING INTEGRITY OF PERSON (AS POINTED OUT
ABOVE). IN ADDITION, THESE VIOLATIONS ARE MORE COMMON IN
THE STATE AND LOCAL LEVELS OF GOVERNMENT. THE GOM HAS NOT
ADVOCATED SUCH ABUSES, BUT HAS PERMITTED THEM. OTHER
VIOLATIONS STEM MORE FROM THE LEVEL OF POLITICAL AND
ECONOMIC DEVELOPMENT OF THE COUNTRY THAN FROM ANY DIRECT
ACTION ON THE PART OF THE GOM. DESPITE THESE INSTANCES OF
HUMAN RIGHTS PROBLEMS, MEXICO SEES ITSELF IN THE VANGUARD







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OF COUNTRIES ADVOCATING STRONG HUMAN RIGHTS POLICIES NATIONALLY AND INTERNATIONALLY. FOR INSTANCE, IT HAS SUSTAINED A LIBERAL POLICY OF POLITICAL ASYLUM AND IMMIGRATION; IT HAS DENOUNCED HUMAN RIGHTS VIOLATIONS IN OTHER COUNTRIES; IT HAS FOLLOWED A FOREIGN POLICY OF NON-INTERVENTION IN THE INTERNAL AFFAIRS OF OTHER COUNTRIES FOR OVER 100 YEARS.

- 5. OUTSIDE INVESTIGATION OF HUMAN RIGHTS VIOLATIONS. PAST LOW-KEY INVESTIGATIVE EFFORTS BY INTERNATIONAL ORGANIZATIONS HAVE RECEIVED MINIMALLY ACCEPTABLE LEVELS OF COOPERATION. HOWEVER, WHILE MEXICO WOULD NOT PREVENT A WELL-PUBLICIZED REQUEST FOR HUMAN RIGHTS INVESTIGATION BY A RESPECTABLE INTERNATIONAL ORGANIZATION, IT WOULD NOT RELISH THE PROSPECT OF FOCUSING ON ITS FAILURES IN THIS AREA. FOREIGN SECRETARY ROEL'S STATEMENTS IN GRENADA WELCOMING THE INTERAMERICAN HUMAN RIGHTS COMMISSION TO MEXICO MAY SIGNAL A GREATER RECEPTIVITY TO SUCH INVESTIGATIONS.
- B. ANALYSIS AND RECOMMENDATIONS.
- 1. MEXICAN REACTION TO U.S. HUMAN RIGHTS POLICY.
- (A) OFFICIAL REACTION--GOM REACTION TO THE U.S. HUMAN RIGHTS POLICY WAS INITIALLY ONE OF RESERVE, SUSPICION AND OUTRIGHT CRITICISM OF OUR INITIAL ACTIONS CUTTING MILITARY AID TO SOUTHERN CONE NATIONS (THIS DESPITE GOM CRITICISM OF THESE NATIONS). THERE WERE INDICATIONS EARLY ON THAT LOPEZ PORTILLO FAVORED THE POLICY, AND ROEL ALSO INDICATED IN PRIVATE COMMENTS TO BOTH AMBASSADOR AND DCM THAT HE BELIEVED THE U.S. POLICY TO BE A SOUND ONE. SINCE THE GRENADA OASGA, ROEL HAS SHOWN (MOSTLY PRIVATELY)

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INCREASED ENTHUSIASM FOR THE POLICY, BUT THIS ENTHUSIASM HAS APPARENTLY NOT DRIFTED DOWN TO THE WORKING LEVELS OF THE SECRETARIAT YET. ALTHOUGH THE BASIC SYMPATHY WITH HUMAN RIGHTS PRINCIPLES EXISTS, THE GUT REACTION OF OFFI-CIAL AND NON-OFFICIAL MEXICANS WAS THAT HUMAN RIGHTS WAS JUST ANOTHER EXAMPLE OF THE U.S. TELLING LATIN NATIONS HOW TO CONDUCT THEIR BUSINESS. THERE WAS ALSO CRITICISM THAT THIS NEW U.S. POLICY WAS JUST NOT WELL THOUGHT OUT. AFTER ROEL'S MEETING WITH SECRETARY VANCE IN GRENADA AND THE SUBSEQUENT COLLABORATION BETWEEN THE U.S. AND MEXICO ON HUMAN RIGHTS RESOLUTIONS IN THE OASGA, THE GOM, THROUGH EDITORIALS IN ITS OFFICIAL PRESS AND THROUGH PRIVATE COM-MENTS, HAS BECOME MORE SUPPORTIVE OF OUR HUMAN RIGHTS POLICIES. VENEZUELA'S STRONG SUPPORT OF THIS POLICY HAS BEEN A FACTOR SINCE MEXICO SEES ITSELF AND VENEZUELA AS THE PROGRESSIVE LEADERS IN THE HEMISPHERE. IT MUST BE NOTED, HOWEVER, THAT MEXICO, FOR POLITICAL AND PHILO-SOPHICAL REASONS, WILL CONTINUE TO STRESS A MULTILATERAL APPROACH TO HUMAN RIGHTS PROBLEMS.

(B) NON-OFFICIAL REACTION--REACTION OF THE PUBLIC-OPINION . ELITE OF MEXICO TO THE U.S. HUMAN RIGHTS POLICY HAS GENERALLY BEEN CRITICAL (WHICH IS MEXICAN INITIAL REACTION TO MOST U.S. POLICY MOVES), BUT FOR DIFFERENT REASONS. CONSERVATIVE GROUPS SAY THAT THE POLICY IS HYPOCRITICAL



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BECAUSE, AT THE SAME TIME WE ENUNCIATE THIS POLICY, WE ARE ATTEMPTING A RAPPROCHEMENT WITH CUBA. LEFTIST GROUPS ON THE OTHER HAND ARE CRITICAL OF THE POLICY AS A MERE CONTINUATION OF U.S. INTERVENTION IN THE INTERNAL AFFAIRS OF LATIN AMERICA. THESE GROUPS ALSO STRESS THAT OUR POLICY IS ONLY SELECTIVELY APPLIED DEPENDING ON U.S. INTERESTS. ONE LEADING MEXICAN NON-MARXIST LEFTIST, PARTICIPATING IN A USIS-SPONSORED CONFERENCE IN JUNE, CYNICALLY POINTED OUT THAT THE U.S. HAS NOT YET CRITICIZED HUMAN RIGHTS VIOLATIONS IN PETROLEUM-EXPORTING NATIONS. MOST RECENTLY,

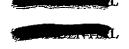




NEWS OF THE NEUTRON BOMB HAS PROVOKED THE SAME TYPE OF CYNICISM. AN IMPORTANT COMPONENT OF THE INTELLECTUAL ELITE IN MEXICO ARE THE SOUTHERN CONE POLITICAL EXILES WHO HAVE ACHIEVED PROMINENT ROLES IN THE MEXICAN PRESS AND IN ACADEMIC CIRCLES. THIS GROUP IS STILL STRONGLY DISTRUSTFUL OF THE U.S. DESPITE THIS GENERALLY CRITICAL BENT, THE U.S. POLICY HAS GENERATED GREAT INTEREST, DISCUSSION, AND EDITORIAL COMMENT TO THE POINT WHERE A GREAT VARIETY OF COMPLAINTS ARE NOW LABELLED "HUMAN RIGHTS VIOLATIONS" AND THOSE WHO CRITICIZE THE POLICY HAVE USED IT TO JUSTIFY THEIR OWN COMPLAINTS.

2. OBJECTIVES. SINCE MEXICO IS A COUNTRY WITH CERTAIN HUMAN RIGHTS PROBLEMS AND WITH CERTAIN HUMAN RIGHTS ACCOMPLISHMENTS, EMBASSY BELIEVES OUR HUMAN RIGHTS APPROACH SHOULD BE AN INTEGRATED ACTION PLAN. ALTHOUGH IT IS DIFFICULT TO ESTABLISH A TIME FRAME, OUR FIRST OBJECTIVE SHOULD BE ACCOMPLISHED IN THREE MONTHS.

(A) EDUCATION--ALL EMBASSY PERSONNEL SHOULD FAMILIARIZE THEMSELVES WITH THE U.S. HUMAN RIGHTS POLICY AND ITS IMPLICATIONS. THE POLITICAL SECTION WILL ALSO CONCENTRATE ON 8UILDING CONTACTS IN THE HUMAN RIGHTS FIELD, BOTH



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MEXICANS AND REPRESENTATIVES OF INTERNATAIONAL GROUPS. EFFORTS WILL BE MADE TO PROMOTE BETTER UNDERSTANDING AND DIALOGUE ON HUMAN RIGHTS PROBLEMS WITH OFFICIAL AND NON-OFFICIAL GROUPS INCLUDING BUSINESS GROUPS AND MEMBERS OF THE MEDIA. POL AND USIS WILL COOPERATE CLOSELY ON THE USE OF APPROPRIATE VTR'S, THE DEVELOPMENT OF SEMINARS, THE USE OF U.S. SPEAKERS ON HUMAN RIGHTS ISSUES, AND OTHER PROGRAM POSSIBILITIES AS THEY ARE DEVELOPED BY OTHER EMBASSY ELEMENTS.

(B) IMPROVEMENT IN HUMAN RIGHTS OF AMERICAN PRISONERS-SINCE THIS IS THE MAIN AREA WHERE EMBASSY CAN EFFECT A CHANGE, WE SHOULD CONTINUE TO PRESS ACTIVELY TO GUARANTEE AMERICAN PRISONERS' HUMAN RIGHTS, ESPECIALLY DURING THE INITIAL DETENTION. THE EMBASSY BELIEVES THAT THE PRISONER ISSUE SHOULD CONTINUE TO BE MANAGED AS A PROBLEM OF PROTECTING U.S. NATIONALS, STRESSING THAT MEXICO SHOULD LIVE UP TO ITS INTERNATIONAL AND BILATERAL AGREEMENTS. THE MESSAGE TO THE GOM SHOULD BE QUIET AND CONSISTENT. THE U.S. PRESS CAN BE EXPECTED TO CONTINUE TO FOCUS PUBLIC ATTENTION ON THE SITUATION OF U.S. PRISONERS IN MEXICO, ESPECIALLY AS THE TIME NEARS FOR TRANSFER OF PRISONERS

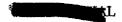




UNDER THE TREATY OF EXECUTION OF PENAL SENTENCES.

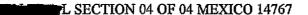
(C) GENERAL IMPROVEMENT OF HUMAN RIGHTS IN MEXICO (PERSONAL, POLITICAL AND CIVIL RIGHTS)—EMBASSY BELIEVES THAT THESE RIGHTS CAN BEST BE ENCOURAGED THROUGH THE ACTIONS OF INTERNATIONAL GROUPS, SUCH AS UN HUMAN RIGHTS COMMISSION OR AMNESTY INTERNATIONAL, TO WHICH WE SHOULD GIVE OUR FULL SUPPORT. WE CAN BEST SUPPORT THESE EFFORTS BY





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OUR OWN CONTINUING DIALOGUE WITH OFFICIAL AND NON-OFFICIAL MEXICANS TO SENSITIZE THEM TO HUMAN RIGHTS NEEDS. WHILE WE SHOULD MONITOR HUMAN RIGHTS PERFORMANCE IN MEXICO, ESPECIALLY THROUGH CONTACT WITH INFLUENTIAL GROUPS, THE EMBASSY SHOULD NOT ENTER INTO ACTUAL INVESTIGATION OF HUMAN RIGHTS VIOLATIONS. SUCH AN INVESTIGATIVE EFFORT WOULD BE COUNTERPRODUCTIVE, INTERPRETED AS INTERVENTION IN THE INTERNAL AFFAIRS OF MEXICO, AND THEREFORE POLITICALLY IMPOSSIBLE.

(D) MEXICAN ADHERENCE TO THE INTER-AMERICAN CONVENTION ON HUMAN RIGHTS--IT SHOULD NOT BE A PROBLEM FOR MEXICO TO SIGN THIS CONVENTION ESPECIALLY IF THE OTHER HUMAN RIGHTS SUPPORTERS AT GRENADA START SIGNING. THE BEST APPROACH PERHAPS WOULD BE A DETAILED REPRESENTATION BY EMBASSY OFFICERS TO SEVERAL KEY FOREIGN SECRETARIAT OFFICIALS TO REQUEST MEXICAN ADHERENCE, COMBINED WITH A DIRECT, PRIVATE REQUEST BY SECRETARY VANCE TO SECRETARY ROEL (ALREADY IN PROGRESS). THIS COMBINED REPRESENTATION COULD BE MADE AT





A TIME WHEN THE GOM IS REQUESTING OUR ASSISTANCE IN GETTING OTHERS TO SIGN THE TREATY OF TLATELOLCO.

(E) MEXICAN SUPPORT FOR U.S. EFFORTS TO PROMOTE HUMAN RIGHTS--THE GOM WILL BE DISPOSED TO SUPPORT OUR MOVES IN THE HUMAN RIGHTS AREAS WHICH EMPHASIZE A MULTILATERAL

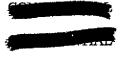


PAGE 02 MEXICO 14767 04 OF 04 022319Z

APPROACH. SUCH SUPPORT SHOULD BE REQUESTED BY CONSISTENT, NON-STRIDENT REPRESENTATIONS IN MEXICO TO SRE AND TO MEXICAN REPRESENTATIVES AT INTERNATIONAL ORGANIZATIONS. OUR EFFORTS IN THIS AREA SHOULD CONCENTRATE ON MEXICAN SUPPORT FOR REGIONAL HUMAN RIGHTS EFFORTS. IN WORLD-WIDE FORA SUCH AS THE UN, MEXICO WILL CONTINUE TO PLACE MORE EMPHASIS ON ITS ROLE AS A LEADER OF THE G-77 AND ON NORTH-SOUTH ISSUES.

OUR EFFORTS TOWARD MEXICO IN UN FORA WILL DEPEND ON A GLOBAL POLICY TOWARD BUILDING G-77 SUPPORT FOR OUR HUMAN RIGHTS POLICY.

- 3. IMPACT ON MEXICO OF PROPOSED HUMAN RIGHTS ACTION PLAN.
- (A) WE DO NOT EXPECT THAT CONTINUED EMPHASIS ON RIGHTS OF AMERICAN PRISONERS WILL CAUSE ADVERSE IMPACT ON OTHER U.S. INTERESTS. EVEN AT THE HEIGHT OF THE ADVERSE PUBLICITY ON MEXICAN PRISONS, THE GOM DID NOT LESSEN ITS ENTHUSIASM FOR THE BILATERAL NARCOTICS PROGRAMS. IN GENERAL, MEXICO WILL COZINUE TO BE SENSITIVE TO THIS CRITICISM (ESPECIALLY SINCE THE BURDEN IS ON THE U.S. NOW TO BRING PRISONERS HOME) AND CAN BE EXPECTED TO REACT OCCASIONALLY BY CRITICIZING U.S. HUMAN RIGHTS FAILURE (SEE (D) BELOW).
- (B) MEXICO'S PRIDE IN THE SOCIAL ASPECTS OF ITS REVOLUTION AND ITS CONSTITUTION WILL LEAD TO OCCASIONAL CRITICISM OF A U.S. HUMAN RIGHTS POLICY PERCEIVED AS DE-EMPHASIZING THE SOCIAL HUMAN RIGHTS. MEXICO WILL BE UNWILLING TO CRITICIZE SOCIALIST OR COMMUNIST COUNTRIES, WHICH VIOLATE PERSONAL AND POLITICAL HUMAN RIGHTS, WITHOUT PRAISING THESE COUNTRIES' ACCOMPLISHMENTS IN THE FIELDS OF HEALTH CARE, EDUCATION, ETC.



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(C) THE NEW SPIRIT OF COOPERATION BETWEEN MEXICO AND THE U.S. WOULD BE DESTROYED IF THE U.S. ATTEMPTS TO USE ITS LEVERAGE IN IFI'S TO BLOCK LOANS TO MEXICO BECAUSE OF HUMAN RIGHTS VIOLATIONS. MEXICO WOULD MOST LIKELY OPPOSE ANY SUCH POLICY USED AGAINST ANY NATION ON THE BASIS THAT SUCH MOVES HINDER THE ECONOMIC DEVELOPMENT OF A COUNTRY AND THUS THE DEVELOPMENT OF SOCIAL HUMAN RIGHTS.

(D) A MORE LIKELY RESULT IS THAT OTHER U.S. ACTIONS ORGANIZATIONS TO-

WARD MEXICO WILL AFFECT THE ENTHUSIASM WITH WHICH MEXICO WILL SUPPORT OUR HUMAN RIGHTS POLICY. OF PARTICULAR IMPORTANCE IS MEXICAN REACTION TO THE PRESI-DENT'S PROPOSALS TO CONGRESS DESIGNED TO COPE WITH THE ILLEGAL ALIEN PROBLEM, ON WHICH GOM OFFICIALS ARE ALREADY STRESSING HUMAN RIGHTS ASPECTS. IF THE ENFORCE-MENT MEASURES ENVISIONED IN THE PROPOSALS BECOME LAW AND IMPOSE SEVERE STRAINS ON MEXICO, MEXICO (OFFICIAL AND NON-OFFICIAL) IS LIKELY TO REACT BY ENDEAVORING TO TURN THE ILLEGAL ALIEN PROBLEM INTO A HUMAN RIGHTS ISSUE--TO A GREATER DEGREE THAN IS EVIDENT SO FAR. U.S. TREATMENT OF THE MEXICAN WORKERS WOULD BE PORTRAYED IN THE MOST UNFAVOR-ABLE LIGHT AND THE ISSUE COULD IRRITATE THE GOM TO THE POINT OF DAMAGING FURTHER COOPERATION ON HUMAN RIGHTS. FINALLY, IF THE GOM BELIEVES THAT THE U.S. IS NOT HELPING MEXICO RESOLVE ITS SERIOUS ECONOMIC PROBLEMS, IT WILL BE LESS WILLING TO SUPPORT AN INTERNATIONAL POLICY--HUMAN RIGHTS--WHICH IS OF MORE INTEREST TO THE U.S. THAN TO MEXICO AT THE MOMENT. LUCEY



NNN

*** Current Handling Restrictions *** n/a

*** Current Classification ***

FOIA Exemptions.

DECLASSIEY EXCISE DENY

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MEXICAN-USSR RELATIONS

BUREAU OF INTELLIGENCE AND RESEARCH

Summary

President Lopez Portillo is expected to promote Mexico's usual aims of increasing trade and technological exchange with the Soviets during his current visit to the USSR, May 17-25. Other possible topics for discussion include the USSR's recent decision to sign Protocol II of the Treaty of Tlatelolco and a proposed quadrangular oil swap involving Spain and Cuba.

According to Foreign Secretary Roel, Mexico's chief interests during the visit will be agriculture, energy, food, and bilateral trade. Portillo, however, will also want to demonstrate Mexico's independence of the US in international affairs and to counter charges from the Mexican left that his administration has "swung to the right."

The USSR, in keeping with its longstanding desire to increase its presence at the US' "back door," reportedly will press Mexico to conclude a consular treaty providing for the opening of five Soviet consulates general. The USSR also hopes to sell aircraft and possibly military equipment to the Mexicans and reportedly is interested in discussing prospects for assisting in development of Mexico's uranium and nuclear energy potential.

The scope and substance of any agreements the two countries may reach are likely to be limited, however, by Mexican wariness of an expanded Scviet presence and the USSR's disinclination to make trade offers on terms advantageous to Mexico.

WARNING NOTICE SENSITIVE INTELLIGENCE SOURCES
AND METHODS INVOLVED

Report No. 982 _ May 18, 1978

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Prospects

For the US, Lopez Portillo's visit presents an opportunity to communicate US views on international issues through a friendly intermediary. In bilateral terms, however, Mexican-Soviet relations seem likely to continue at the relatively modest level that has always characterized them, with small increases in trade, technological, scientific, and cultural contacts. Neither side appears inclined to yield any significant benefits to the other. As a result, Lopez Portillo's visit will likely post some clear gains for Mexico's international image—and with the President's domestic constituency—but little of significance in terms of the bilateral relationship.

Cautious Cordiality

The Mexican Government's variness of Soviet activities in Mexico is the product of experience. Soviet heavy-handedness, combined with Mexico's extreme prickliness about its internal affairs, has produced some rocky periods in the Mexican-Soviet relationship. Although Mexico, in 1924, was the first Western Hemisphere nation to recognize the USSR, relations were severed in the late 1920's with a Mexican denunciation of Soviet interference in its internal affairs. Leon Trotsky's sojourn in Mexico, from 1937 until his assassination in 1940, did little to improve matters. Nevertheless, in the atmosphere of World War II, and partly at US urging, relations were reestablished in 1942; they continued with little friction but little contact through the 1960's.

Relations again deteriorated in 1971, when Mexico expelled five Soviet diplomats as a result of Soviet involvement in the training of Mexican guerrillas in North Korea. Two years later, however, President Echeverria included a stop in Moscow during his six-nation tour to Canada, Great Britain, Belgium, France, and the People's Republic of China. The visit to Moscow was the first for a Mexican president (although a decade earlier President Lopez Mateos had traveled to Poland and Yugoslavia and had begun efforts to intensify trade with the USSR).



- 2 - UNCLASSIFIED

Echeverria's tour, undertaken largely to project his own and Mexico's image as a Third Wor's leader, also allowed him to lobby in behalf of his "Charter of Economic Rights and Duties of States" (CERDS). He found the results of his stop in Moscow disappointing: although the Soviets voiced their support for CERDS, they flatly refused to sign the Treaty of Tlatelolco. Echeverria returned to Mexico with negative impressions of the USSR's ideological stance, commenting that the Soviet system "had no attraction" for Mexico.

In May 1976, only six months after Mexico and the USSR had signed a broad agreement for cooperation in science and technology, Echeverria privately threatened to break relations with the Soviet Union when he learned of an attempt; by Soviet intelligence to penetrate the Office of the Presidency. The Soviets hastily withdrew the offending "diplomat." The incident was not made public, but Echeverria reportedly wrote a scathing letter to Brezhnev.

Although a "warming trend" in Mexican-Soviet relations was forecast with the arrival in mid-1976 of a new Soviet ambassador, the urgency of Mexico's economic problems when Lopez Portillo took office in December 1976 dictated that his administration concentrate on its highest priorities: restoration of confidence domestically, and improved relations with the US. Toward the end of 1977, however, contacts with the USSR and Eastern bloc countries increased slightly, with visits to Mexico by the Polish Foreign Minister, the Hungarian President, the Soviet Vice Minister of Culture, and a high-level delegation from the Council for Mutual Economic Assistance (CEMA).

Lopez Portillo's only other state visits have been to the United States and to Spain. Later this year he will visit Japan, the People's Republic of China, and Iran. His trip to the Soviet Union at this time will serve to:

- --reaffirm Mexico's independence of the US in international affairs;
- --reassure the Mexican left that Lopez Portillo's administration has not "swung to the right" as is often charged; and
- --increase, however slightly, Mexico's prospects for expanded trade and sources of technology.

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Treaty of Tlatelolco

Brezhnev's announcement last month that the USSR would sign Protocol II of the Treaty of Tlatelolco pleased Mexico, the treaty's chief proponent. The Soviets will be committed to respect the regional nuclear free zone, and their signature will move the treaty a significant step toward full implementation. Technically, states party to the treaty are not bound by its provisions until all eligible nations have ratified either the treaty itself or its relevant protocols. Most Latin American states have waived this requirement, but Argentina (about to ratify), Brazil, and Chile have not. Thus, Mexican diplomats have assiduously sought ratification by all eligible nations to complete the nuclear free zone. With adherence to Protocol I by Argentina and France and the impending ratification of Protocol I by the US, Cuba would be the lone holdout. The possible impact on Havana of the Soviet move will undoubtedly be explored by Lopez Portillo during his trip.

Consular Convention

At present, Soviet representation in Mexico consists of an embassy (one of Moscow's largest, with a staff of approximately 90 persons), Aeroflot and Intourist offices, and a resident trade mission.

Soviet initiatives to negotiate a consular convention with Mexico, begun in 1970, were shelved in 1971 after Mexico's expulsion of the five Soviet diplomats. The USSR floated a new proposal for a consular convention in 1975, but despite continued Soviet efforts, no negotiations have been concluded.

Soviets plan to press Lopez Portillo on the consular convention during his visit, seeking an agreement to establish five Soviet consulates general in Mexico—in Veracruz, Monterrey, Guadalajara, and two other major cities. If this is in fact a Soviet goal, it is probably a long-term one, with Moscow seeking agreement in principle with implementation to be spread out over a period of time.

Lopez Portillo plans to take the offensive on this issue, asking the Soviets to justify the continuance of their already large diplomatic presence in Mexico by "paying the commercial price" of expanded long-term trade agreements.

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Military Purchases

Resistance to foreign military influence has been a persistent tenet of Mexican foreign policy. Mexico has made no purchases of Soviet arms or equipment—much less accepted Soviet military advisers—but tentative and cautious contacts have begun between the two countries' military estabblishments within the past two years. Accepting the USSR's longstanding offer for the first time, two Mexican Army officers visited the Soviet Union in August 1977, reportedly to look over Soviet artillery. A clandestine report of February 1978 indicates that, for the first time, Mexico has made informal inquiries to the USSR for price and availability of artillery weapons, including small-caliber howitzers, anti-aircraft equipment, and associated radar computers.

In mid-February, Soviet military attaches visited the Mexican Superior War School--something they had not done since at least 1970--to lecture and show a film. The film, touting Soviet military equipment, was a clear indication from the Soviets that they were eager to sell military hardware to Mexico.

Even more recently, the Soviets have entered the competition to sell combat aircraft to Mexico.

the Soviets, working through a Mexican businessman, approached a senior Mexican Army officer to present an offer on jet aircraft. Although no details of the proposal were revealed, the officer reportedly turned it down, insisting that the Mexican Army would only purchase US jets. According to the report, the businessman planned to raise the issue at a higher level—with the Mexican Secretary of Defense—as did a representative selling Soviet helicopters earlier this year.

Trade

Mexico, heavily dependent on the US as its major trading partner, has sought to expand and diversify its trade contacts with other nations in an effort to lessen its dependence on the US and to increase markets for its manufactured goods. While trade between Mexico and the USSR has grown considerably in the 1970's, the volume nevertheless remains economically insignificant. In 1976, for example, combined trade between the two countries reached a total of \$24 million. The balance that year was favorable to Mexico but represented only a fraction of 1 percent of Mexico's



total exports. Moreover, although Mexico seeks to sell its manufactured products, the USSR's purchases have been chiefly of agricultural commodities.

Lopez Portillo will seek a trade package involving several hundred million dollars over a period of 4-5 years, in the form of a long-term USSR agreement to buy Mexican coffee and other products in exchange for Mexico's purchase of Soviet tractors and machinery. Reportedly, Lopez Portillo expects the USSR to offer substantial credits for the purchase of Soviet manufactured goods, but he would accept them only if the USSR, in turn, agreed to buy enough Mexican goods to strike a rough balance of trade.

Despite the increase of trade with the USSR, and Mexico's 1975 Cooperation Agreement with CEMA, the Lopez Portillo administration sees little prospect for any real economic gains in Mexico's trade with the Soviet Union and Eastern Europe.

Petroleum

The Director General of PEMEX (the Mexican state oil company) was to accompany Lopez Portillo on his trip. In addition to visits to aku and Novosibirsk to view Soviet petroleum and natural gas installations, the Mexican visitors will continue their talks with the USSR on a proposed petroleum swap involving Spain and Cuba. Under the proposed agreement, the USSR would supply Spain with the amount of oil (perhaps 20,000 barrels per day) that Spain has agreed to purchase from Mexico. Mexico, in turn, would deliver an equal amount of oil to Cuba-with tremendous savings in transportation as a result.

The idea is not a new one-the USSR has discussed a similar arrangement with Venezuela in recent years, and discussions with Mexico have been under way since at east 1976. Despite the obvious advantages and savings of the plan, problems have so far impeded agreement:

- soviet industrial goods for oil shipments to Cuba was not accepted by the Mexicans;
- --disparities in the quality of Mexican and Soviet petroleum affect pricing and involve conversion of refinery facilities; and

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--disagreements over how to apportion the savings intransportation costs have not been resolved.

Prospects for the resolution of these difficulties will hinge largely on whether the USSR's bargaining becomes more flexible than it has been in the past.

Prepared by Diana E. Morris x22557

Approved by Hunter L. Estep x22229

EXEMPT FROM DECLASSIFICATION SCHEDULE E.O. 11652: 5B 1,2 (Classified by M. Packman)

INCI ASSIFIFD

ACTION ARA-15

HAVANA 04532 2320032

OCT-01 EUR-12 NEA-06 IO-14 ADS-00 CIAE-00 PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 HA-05 EB-08 ACDA-12 OES-09 DOE-15 SOE-02 /152 W

-----026131 232012Z /70 P R 231652Z MAY 79 FM USINT HAVANA TO SECSTATE WASHDC PRIORITY 8701 INFO AMEMBASSY BELGRADE AMEMBASSY COLOMBO AMEMBASSY MEXICO AMEMBÁSSY QUITO USMISSION USUN NEW YORK

UNULASSINEDI A L HAVANA 4532

E.O. 12065: XDS-1 5/23/99 (GLASSMAN, JON D.) OR-M

TAGS: PORG, PDEV, MX, CU

SUBJECT: (C) CUBANS INVITE LOPEZ-PORTILLO TO HAVANA NON-

ALIGNED SUMMIT

REF: MEXICO 8279 AND 8295

1. (C-ENTIRE TEXT.)

2. CARLOS AMAT, DIRECTOR OF LATIN AMERICAN AFFAIRS, CUBAN MINISTRY OF FOREIGN RELATIONS, TOLD MAY 22, THAT FIDEL CASTRO, WHILE IN MEXICO, MAY 17-18, INVITED PRESIDENT LOPEZ PORTILLO TO HAVANA FOR NON-ALIGNED MOVEMENT SUMMIT. CASTRO SAID THAT MEXICO COULD PARTICIPATE IN CONFERENCE AS "OBSERVER" AND LOPEZ-PORTILLO WOULD BE GIVEN POSSIBILITY OF DELIVERING SPEECH--AN EXCEPTIONAL HONOR FOR AN OBSERVER DELEGATION.

ACCORDING TO AMAT, LOPEZ PORTILLO SAID THAT HE WOULD CONFIDENTIAL

HEM ROC.

PAGE 02

HAVANA 04532 232003Z

CONSIDER CASTRO'S INVITATION. AMAT SAID THAT CUBANS BELIEVE THAT LOPEZ PORTILLO IS UNSURE WHETHER ATTENDANCE AT SUMMIT WOULD CAUSE MEXICO TO SHARE BLAME FOR EXTREME POSITIONS LIKELY TO BE ENDORSED BY SUMMIT (E.G. ZIONISM-RACISM LINK AND SO FORTH.) AMAT FELT, HOWEVER, THAT MEXICANS COULD JUSTIFY ATTENDANCE AT SUMMIT ON BASIS OF ITS LOCATION IN LATIN AMERICA (NOTE RERENCE TO LATIN AMERICAN LOCATION IN JOINT CUBAN-MEXICAN COMMUNIQUE) AND POSSIBILITY OFFERED BY CASTRO FOR LOPEZ-PORTILLO TO EXPRESS MEXICO'S UNILATERAL POINT OF VIEW.

4 BEGIN COMMENT: AMAT'S REPORT RAISES QUESTION OF WHETHER



USG SHOULD DISCOURAGE OR ENCOURAGE MEXICAN ATTENDANCE AT HAVAMA	
SUMMIT. (HERE FEEL STRONGLY THAT THE GREATER MUMBER	B
OF LATIN AMERICAN STATES PRESENT AT HAVANA, THE MORE LIKELY	
CUBANS, WILL FEEL CONSTRAINED FROM PUSHING EXTREME LINE.	ر د∱
FOR EXAMPLE, POINT TO FOREIGN POLICY PORTION OF	
CUBAN-MEXICAN COMMUNIQUE AS EVIDENCE THAT CUBANS ARE WILLING	
TO COMPROMISE AND SOFTEN THEIR STANDS WHEN FACED BY	
RESERVATIONS FROM A MODERATE LATIN AMERICAN STATE. (FYI:	2
BELIEVE THAT, IN ADDITION TO LATIN AMERICAN/	121
CARIBEAN NAM MEMBERS ARGENTINA, PERU, PANAMA, JAMAICA, GUYANA,	
TRINIDAD, NEW ROLDOS ADMINISTRATION IN ECUADOR MAY SEEK TO SEND	
DELEGATION TO HAVANA SUMMIT. END FYI.) WHILE F ARGUMENT	B1
HAS SOME MERIT, THERE IS ALSO OPPOSITE RISK THAT NAM PARTI-	
CIPATION COULD EXERCISE RADICALIZING INFLUENCE ON	
MEXICAN (AND OTHER MODERATE LATIN AMERICAN) FOREIGN POLICIES	
ALTHOUGH IN MEXICAN CASE THIS CONCEIVABLY MIGHT OFFSET	
CRITICISM OF MOVES PAVORARI, TO IIS IN RILATERAL CONTRYT \	

5. ON BALANCE, USINT BELIEVES, FROM CUBAN POLICY PER-SPECTIVE, THAT USG SHOULD TELL MEXICANS THAT WE HAVE NEUTRAL POSTURE TOWARD THEIR ATTENDANCE AT SUMMIT BUT, SHOULD LOPEZ PORTILLO DECIDE TO GO, WE WOULD HOPE MEXICO WOULD TAKE A

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PAGE 03

HAVANA 04532 232003Z

CONSTRUCTIVE PUBLIC STANCE BOTH IN TERMS OF RESPECTING US POLICY AND URGING CUBANS TOWARD IMPROVED BEHAVIOR (TLATELOLCO, CONVENTIONAL ARMS TRANSFER LIMITATIONS, NON-INTERVENTION, ETCETERA.) END COMMENT.

GLASSMAN

-CONFIDENTIAL

MININ

PAGE 01 ACTION ARA-15 MEXICO 08279 01 OF 02 201321Z

INFO OCT-01 EUR-12 ADS-00 IO-14 HA-05 EB-08 COM-02

OMB-01 TRSE-00 AID-05 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15

ICA-11 OES-09 DOE-15 SOE-02 NEA-06 EA-10 ACDA-12

/170 W

R 190119Z MAY 79
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 7789
INFO USINT HAVANA
AMCONSUL BELIZE
AMEMBASSY BRIDGETOWN
AMEMBASSY PORT OF SPAIN
AMEMBASSY MADRID
AMEMBASSY GUATEMALA
AMEMBASSY BRASILIA
ALL USCONS MEXICO (BY POUCH)

LIMITED OFFICIAL USE SECTION 1 OF 2 MEXICO 08279

E.O. 12065: GDS 5/18/85 (PRYCE, WILLIAM T.) OR-P

TAGS: PEPR, CU, MX

SUBJECT: STATE VISIT BY FIDEL CASTRO TO MEXICO

- 1. (C ENTIRE TEXT).
- 2. SUMMARY: CUBAN PREMIER FIDEL CASTRO IS MAKING HIS FIRST STATE VISIT TO MEXICO, THE ONLY LATIN AMERICAN COUNTRY TO NEVER BREAK RELATIONS WITH HIS TWENTY YEAR OLD REGIME. IN HIS PUBLIC STATEMENTS THUS FAR CASTRO HAS STATED THAT HE HAS NO INTEREST IN OBTAINING MEXICAN PETROLEUM PRODUCTS, DENIED THAT CUBA EXPORTED REVOLUTIONS, CHARACTERIZED CUBAN-U.S. RELATIONS AS "PERFECTLY BAD," SUPPORTED CIVIL RIGHTS FOR UNDOCUMENTED MEXICAN WORKERS IN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MEXICO 08279 01 OF 02 201321Z

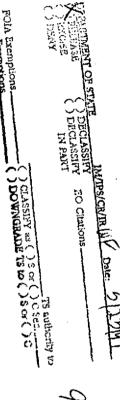
THE U.S., AND DENIED THAT CUBA WAS INVOLVED IN NICARAGUA. JOINT COMMUNIQUE TO BE ISSUED LATER TODAY. EMBASSY WILL REPORT ON COMMUNIQUE AND OTHER LATER DEVELOPMENTS ASAP. END SUMMARY.

3. FIDEL CASTRO ARRIVED IN THE ISLAND TOURIST RESORT OF COZUMEL, LOCATED ABOUT 800 MILES EAST OF MEXICO CITY ON THE CARIBBEAN, ON MAY 17, TO BEGIN A TWO DAY STATE VISIT TO MEXICO. THIS IS CASTRO'S FIRST VISIT TO MEXICO SINCE HE DEPARTED HERE ON NOVEMBER 25, 1956, TO LAUNCH HIS GUERRILLA MOVEMENT IN THE SIERRA MADRE OF CUBA.

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ACCOMPANYING CASTRO ARE RAMIRO VALDEZ AND CARLOS RAFAEL RODRIGUEZ, VICE PRESIDENTS OF THE COUNCIL OF STATE. (CONSEJO DEL ESTADO); ISIDORO MALMIERCA, MINISTER OF FOREIGN RELATIONS; HECTOR RODRIGUEZ MOMPART, MINISTER OF COLLABORATION; OSMANI CIENFUEGOS, SECRETARY OF THE COUNCIL OF STATE. JOSE NARANJO, MINISTER OF FOOD INDUSTRY; JOSE ABRANTES FERNANDEZ, VICE MINISTER OF INTERIOR AND JOSE MILLAR, CASTRO'S PRIVATE SECRETARY.

- 4. CASTRO WAS RECEIVED BY MEXICAN PRESIDENT JOSE LOPEZ PORTILLO WHO WAS ACCOMPANIED BY JOAQUIN GAMBOA PASCOE, PRESIDENT OF THE GRAND COMMISSION OF THE MEXICAN SENATE; RODOLFO GONZALEZ GUEVARA, PRESIDENT OF THE GRAND COMMISSION OF THE HOUSE OF DEPUTIES; AGUSTIN TELLEZ CRUCES, PRESIDENT OF THE SUPREME COURT; JORGE CASTANEDA, THE NEW SECRETARY OF FOREIGN RELATIONS; JOSE ANDRES OTEYZA, SECRETARY OF PATRIMONY AND INDUSTRIAL DEVELOPMENT; FERNANDO RAFFUL MIGUEL, CHIEF OF THE DEPARTMENT OF FISHERIES; AND JORGE DIAZ SERRANO, DIRECTOR OF PEMEX.
- 5. THE WELCOMING PARTY ALSO INCLUDED THE LEADERS OF THE THREE OFFICIAL REGISTERED LEFTIST PARTIESS JORGE



PAGE 03

MEXICO 08279 01 OF 02 201321Z

CRUICKSHANK OF THE PARTIDO POPULAR SOCIALISTA; ARNOLDO VERDUGO AND GERARDO UNZUETA OF THE PARTIDO COMUNISTA MEXICANA; AND RAFAEL AGUILAR TALAMANTES AND HUMBERTO ESPERON OF THE PARTIDO SOCIALISTA DE LOS TRABAJADORES. TWO OF THE RIGHT-WING PARTIES, THE PARTIDO DEL ACCION NACIONAL AND THE PARTIDO DEMOCRATICA MEXICANA, REPORTEDLY EXCUSED THEMSELVES FROM SENDING REPRESENTATIVES.

- 6.IN LIGHT OF THE NUMEROUS COMMENTS CAUSED BY LOPEZ PORTILLO'S FAILURE TO GIVE PRESIDENT CARTER AN "ABRAZO" (BEAR HUG) UPON ARRIVAL IN MEMICO, WE MENTION THAT THE NEWSPAPERS REPORTED THAT ALTHOUGH LOPEZ PORTILLO AND CASTRO EXCHANGED "ABRAZOS". NUMEROUS NEWSPAPER PHOTOGRAPHS AND TELEVISION COVERAGE SHOW THEM JUST CLASPING EACH OTHER'S ARMS AT A POLITE DISTANCE.
- 7. DURING THE DAY, THE TWO PRESIDENTS MET PRIVATELY FOR APPROXIMATELY ONE HOUR IN THE MORNING AND TWO HOURS IN THE AFTERNOON. A JOINT COMMUNIQUE WILL BE ISSUED ON THE AFTERNOON OF MAY 18.
- 8. CUBAN AMBASSADOR TO MEMICO FERNANDO LOPEZ MUINO TOLD THE PRESS ON MAY 16 THAT THE TWO LEADERS WOULD NOT DISCUSS SALES OF PETROLEUM TO CUBA AND CASTRO ON HIS ARRIVAL STATED "WE ARE NOT COMING TO SOLICIT MEXICAN PETROLEUM OR GAS". PEMEX DIRECTOR, JORGE DIAZ SERRANO, WAS ASKED ABOUT A PLAN TO SELL MEXICAN PETROLEUM TO CUBA INSTEAD OF ITS CURRENT CUSTOMER SPAIN, PARTIALLY REPLACING CUBA'S SUPPLIER, THE SOVIET UNION; SPAIN IN TURN WOULD BE



SUPPLIED BY THE SOVIET UNION INSTEAD OF FROM MEXICO.
DIAZ SERRANO SAID THAT HE KNEW OF "NO PRESSURE FROM THIRD
COUNTRIES TO AVOID ARRIVING AT THIS TRIANGULAR AGREEMENT."

9. CASTRO, IN HIS PUBLIC DECLARATIONS, SUPPORTED MEXICO'S

LINING ASSELLEE

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PAGE 01 MEXICO 08279 02 OF 02 2013292 ACTION ARA-15

INFO OCT-01 EUR-12 ADS-00 IO-14 HA-05 EB-08 COM-02 OMB-01 TRSE-00 AID-05 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 OES-09 DOE-15 SOE-02 NEA-06 EA-10 ACDA-12 /170 W

-----108909 201338Z /42

R 190119Z MAY 79
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 7790
INFO USINT HAVANA
AMCONSUL BELIZE
AMEMBASSY BRIDGETOWN
AMEMBASSY PORT OF SPAIN
AMEMBASSY MADRID
AMEMBASSY GUATEMALA
AMEMBASSY BRASILIA
ALL USCONS MEXICO (BY POUCH)

LIMITED OFFICIAL-USE SECTION 2 OF 2 MEXICO 8279

DECISION TO DECLARE WORLD PETROLEUM RESERVES AS THE PATRIMONY OF ALL MANKIND, WHILE AT SAME TIME CHARACTERIZING STATEMENT AS "CONTRADICTORY OF (LOPEZ PORTILLO'S) DECISION TO USE (THE PETROLEUM) FOR THE CONSTRUCTION OF HIS OWN COUNTRY". CASTRO CONGRATULATED LOPEZ PORTILLO ON HIS DECISION NOT TO "CONTEMPLATE THE PETROLEUM DEVELOPMENT OF MEXICO AS A FUNCTION OF AMERICAN PETROLEUM NECESSITIES", AND DECLARED THAT MEXICO IS APPARENTLY BEING VERY INTELLIGENT IN THE USE OF ITS PETROLEUM RICHES, USING IT AS A POINT OF DEPARTURE FOR DEVELOPMENT, INSTEAD OF FORMING A HUGE ARMY, AS IN IPAN.

10. IN A PRESS CONFERENCE HELD LATE ON THE NIGHT OF MAY 17, CASTRO SURVEYED WORLD ISSUES THAT AFFECT BOTH LIMITED OFFICIAL USE.

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MEXICO AND CUBA. HE CHARACTERIZED CUBAN-AMERICAN RELATIONS ARE "PERFECTLY BAD". HE STATED THAT THE UNITED STATES IS "BRUISED" FROM ITS EXPERIENCE IN VIETNAM AND WILL NOT WANT ANOTHER VIETNAM IN CENTRAL AMERICA. HE SUPPORTED CIVIL RIGHTS FOR THE UNDOCUMENTED MEXICAN WORKERS IN THE UNITED STATES AS THE "LEGITIMATE RECLAMATION OF THE MEXICAN EMIGRANTS, (WHO ARE THE) BITTER AND INEVITABLE FRUIT OF THE MUTILATION OF NATIONAL TERRITORY AND UNDERDEVELOPMENT IMPOSED BY THE FORCE, SOVEREIGNITY AND DOMINATION OF THE UNITED STATES".

- 11. CASTRO STATED THAT HIS STATE VISIT TO SPAIN, TENTATIVELY SCHEDULED FOR JULY, MAY BE DELAYED DUE TO HEAVY WORKLOAD PREPARING FOR THE SIXTH CONFERENCE OF NON-ALIGNED NATIONS, DUE TO TAKE PLACE IN HAVANA IN SEPTEMBER.
- 12. CASTRO STATED THAT THE REVOLUTION IN GRENADA WAS A "GREAT REVOLUTION IN A SMALL COUNTRY". HE SAID IT WAS A SPONTANEOUS MOVEMENT IN WHICH CUBA WAS NOT INVOLVED, EVEN THOUGH CUBA IS RECEIVING THE BLAME.
- 13. CASTRO CHARACTERIZED BELIZE AS A UNIQUE CASE, AS BRITAIN WANTS TO GIVE BELIZE ITS INDEPENDENCE, BUT GUATEMALA IS THREATENING BELIZE WITH INVASION. CASTRO STATED THAT BELIZE'S ASPIRATIONS TO INDEPENDENCE WERE "LEGITIMATE, AS IT HAS NOTHING GUATEMALAN IN IT, AND HAS EVERY RIGHT (TO INDEPENDENCE)".
- 14. CASTRO SAID CUBA IS WILLING TO RESTORE DIPLOMATIC RELATIONS WITH BRAZIL, WHEN THAT NATION CEASES TO BE "THE MILITARY POLICE FOR UNITED STATES IMPERIALIST INTERESTS IN SOUTH AMERICA". CASTRO WOULD WELCOME ADVANCES FROM LIMITED OFFICIAL USE

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BRAZIL PRIOR TO THAT TIME, HOWEVER.

- 15. CASTRO DENIED THAT CUBA WAS AN EXPORTER OF REVOLUTIONS. REVOLUTIONS COME FROM THE PEOPLE WHEN THEY GET TIRED AND FED UP WITH THEIR SITUATION, NOT FROM INDIVIDUAL MEN. CASTRO CITED THE FACT THAT THE CUBAN AND MEXICAN REVOLUTIONS WERE NEITHER IMPORTED NOR EXPORTED.
- 16. CASTRO DENIED THAT CUBA WAS INTERVENING IN NICARAGUA, DESPITE NICARAGUA'S PARTICIPATION IN THE BAY OF PIGS INVASION. CUBA EAGERLY AWAITED THE DAY WHEN SOMOZA "IS DEPOSITED IN THE TRASHCAN OF HISTORY."

 17. FURTHER CABLE FOLLOWS AS DEVELOPMENTS OF SECOND DAY OF VISIT ARE KNOWN AND JOINT COMMUNIQUE IS ISSUED. (DRAFTED BY ROBERT F. FRETZ.) FERCH

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INFO OCT-01 ADS-00 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 HA-05 EB-08 IO-14 ACDA-12 OES-09 SOE-02 DOE-15 AF-10 /144 W

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R 1919282 MAY 79 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 7791 INFO USINT HAVANA ALL USCONS MEXICO (POUCH)

LIMITED OFFICIAL USE MEXICO 01 OF 03 MEXICO 08295

E.O. 12065: GDS 5/19/85 (PRYCE, WILLIAM T.) OR-P TAGS: PFPR, CU, MX

SUBJECT: STATE VISIT BY FIDEL CASTRO TO MEXICO

REF: MEXICO 08279

1. (SUMMARY) CUBAN PREMIER FIDEL CASTRO WOUND UP HIS TWO DAY STATE VISIT TO MEXICO ON MAY 18. SPEAKING TO REPORT-ERS. HE ASSERTED THAT CUBAN TROOPS WERE NOT INTERVENING BUT MERELY ASSISTING IN ANGOLA AT THAT COUNTRY'S REQUEST, DENIED THAT CUBA HAD INTENTIONS TO SEND TROOPS TO OTHER AFRICAN COUNTRIES, DENIED THAT CUBA HAD POLITICAL PRISON-ERS AND DEMANDED A NEW CULTURAL ORDER SO THAT CULTURAL TREASURES STOLEN FROM THIRD WORLD COUNTRIES WOULD BE RE-TURNED TO THEM. THE CUBAN AMBASSADOR TO MEXICO STATED THAT CUBA WOULD DEFINITELY NOT SIGN THE TREATY OF TLATELOL-CO IN ORDER TO PROTECT ITS OPTIONS OF SELF-DEFENSE. A JOINT COMMUNIQUE FROM BOTH PRESIDENTS OUTLINED SEVERAL BI-LATERAL AGREEMENTS: EXPRESSED SUPPORT FOR A NEW WORLD ECONOMIC ORDER, OBLIQUELY CHIDED THE U.S. FOR ITS ECONOMIC BLOCKADE OF CUBA, AND FOR REMAINING IN GUANTANAMO; FOR LIMITED OFFICIAL USE

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EFFORTS BY NON-ALIGNED COUNTRIES TO OBTAIN WORLD PEACE AND FOR SALT II AND DISARMAMENT; STATED THAT THE ENERGY CRISIS IS A COMMON PROBLEM OF ALL MANKIND; AND BOTH COUNTRIES AGREED THAT THE USE OF FORCE OF COEFCION IN WORLD ECONOMIC OR POLITICAL AND ECONOMIC FELATIONS SHOULD NOT BE TOLERAT-ED. (END SUMMARY)

2. THE COMMUNIQUE MADE NO MENTION OF POSSIBLE MEXICAN OIL SALES TO CUBA. WE WILL BE ASSESSING THE VISIT AFTER TALK-ING WITH MEXICAN PRINCIPALS EARLY NEXT WEEK. VIEWED FROM AFAR IT WOULD APPEAR THAT MEMICANS ACHIEVED GENERAL GOAL

OF STRENGTHENING RELATIONS WITH CUBA, AND GAINING A FEW POINTS WITH MEXICO'S LEFT, BUT THAT THEY MADE NO PROGRESS AT ALL IN ONE OF THEIR MAJOR FOREIGN POLICY OBJECTIVES - CUBAN ACCESSION TO TREATY OF TLATELOLCO. THE CUBANS ARE PROBABLY VERY SATISFIED WITH THE VISIT.

- 3. CUBAN PREMIER FIDEL CASTRO SPENT VIRTUALLY THE ENTIRE SECOND DAY OF HIS TWO DAY STATE VISIT TO MEXICO IN SCUBA DIVING AND VISITING LOCAL TOURIST ATTRACTIONS. HOWEVER, AT SEVERAL POINTS DURING THE DAY, HE EXPRESSED HIS VIEWS ON A WIDE VARIETY OF SUBJECTS.
- 4. CASTRO, RESPONDING TO QUERIES FROM THE PRESS, DENIED THAT CUBAN TROOPS WERE INTERVENING IN ANGOLA. CASTRO DEFINED INTERVENTION AS "GOING WHERE YOU DON'T WANT TO GO." IF CUBAN TROOPS ARE IN ANY CORNER OF THE WORLD, IT IS BECAUSE "THEIR COLLABORATION AND SUPPORT WAS SOLICITED." HE DENIED THAT CUBAN TROOPS IN ANGOLA WERE MERCENARIES. CASTRO ASSERTED THAT THEY WERE ALL THERE VOLUNTARILY, AS A RESULT OF THE "CONSCIENCE OF THE (CUBAN) PEOPLE, IT IS THE ARMY OF THE PEOPLE THAT HAS GONE, THEY ARE WORKERS AND PEASANTS." HE STATED THAT THEY DON'T WANT TO BE LIMITED OFFICIAL USE

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THERE THE REST OF THEIR LIVES, NOR LESS TIME THAN THAT. HOWEVER, THIS DEPENDS "NOT ON US, BUT ON THE INTERESTS OF THE GOVERNMENT OF ANGOLA."

- 5. CASTRO DENIED THAT THERE WERE POLITICAL PRISONERS IN CUBA. THERE WERE, HOWEVER, "COUNTER-REVOLUTIONARY PRISONERS, MANY OF WHOM WE ARE LIBERATING; BUT THERE ARE SOME WHO ARE ALIGNED WITH TERRORISTS WHICH WE CANNOT LET LOOSE ON THE STREET." WHEN ASKED HOW MANY FELL INTO THIS CATEGORY HE SAID THERE WERE VERY FEW.
- 6. VISITING LOCAL MAYAN INDIAN RUINS, CASTRO PROFESSED TO BE IMPRESSED BY THE LOSS OF IMPORTANT ARTIFACTS TO MUSEUMS IN THE INDUSTRIALIZED NATIONS. HE CALLED FOR A NEW WORLD CULTURAL ORDER, SIMILAR TO THE NEW WORLD ECONOMIC ORDER, IN WHICH THIRD WORLD COUNTRIES WOULD UNIT IN ORDER TO DEMAND THE RETURN OF THESE ARTIFACTS.
- 7. CUBAN AMBASSADOR TO MEMICO ERNESTO MADERO VAZQUEZ DE-CLARED THAT THE POSITION OF CUBA ON THE TREATY OF TLATELO-LCO IS FIRM AND IRREVERSIBLE. EVEN THOUGH THE GREAT POWERS OF THE WORLD HAVE AFFIRMED THE TREATY, CUBA CANNOT RENOUNCE THE POSSIBILITIES OF "STRENGTHENING ITS INTERNAL DEFENSES." FOR THIS REASON, HE SAID, THE TREATY WAS NOT ONE OF THE MAJOR THEMES OF THE DISCUSSIONS BETWEEN THE TWO PRESIDENTS.
- 8. ON THE QUESTION OF MEXICO SELLING PETROLEUM TO CUBA INSTEAD OF SPAIN WHILE THE SOVIET UNION SUPPLIES SPAIN INSTEAD OF CUBA, THE CUBAN AMBASSADOR STATED THAT THE



IDEA IS WORTH STUDYING. HOWEVER, THE SOVIET UNION SELLS PETROLEUM TO CUBA FOR AN EXTREMELY LOW PRICE. THIS IS THE PLAN'S PRIMARY OBSTACLE.

9. A JOINT COMMUNIQUE WAS ISSUED, OUTLINING SEVERAL POINTS LIMITED OFFICIAL USE

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INFO OCT-01 ADS-00 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 IO-14 HA-05 EB-08 AF-10 DOE-15 SOE-02 ACDA-12 OES-09 /144 W

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TO SECSTATE WASHDC 7792
INFO USINT HAVANA
ALL USCONS MEXICO (POUCH)

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OF AGREEMENT IN WORLD POLITICS AND NOTING ADVANCES ON SEVERAL BILATERAL AGREEMENTS, AND CHIDING THE U.S. ON SEVERAL POINTS. THE MEXICAN PRESS HEADLINED MEXICAN SUPPORT FOR THE END OF THE U.S. BLOCKADE AGAINST CUBA. HOWEVER, THE COMMUNIQUE WAS NOT SO SPECIFIC. IT RECALLED 1972 U.N. SECURITY COUNCIL MEETING IN PANAMA WHICH CONDEMNED ALL TYPES OF ECONOMIC COERCION AGAINST LATIN AMERICAN COUNTRIES AND DEMANDED THAT SUCH ACTS OF ECONOMIC AGGRESSION BE STOPPED AS THEY WORK AGAINST WORLD PEACE AND THE OBJECTIVES CONTAINED IN THE CHARTER OF THE UNITED NATIONS, AND ADDED THAT "IN THIS SENSE THEY (THE PRESIDENTS) EXPRESSED THE NEED TO END THE ECONOMIC BLOCKADE IMPOSED ON THE PEOPLE OF CUBA."

- 10. IN ANOTHER ONLY SLIGHTLY OBLIQUE REFERENCE TO THE U.S., BOTH PRESIDENTS REITERATED THE IMPORTANCE OF THE ELIMINATION OF FOREIGN MILITARY BASES MAINTAINED AGAINST THE WILL OF THE COUNTRY IN WHICH THE BASE IS LOCATED.
- 11. BOTH COUNTRIES AGREED ON THE NEED FOR A NEW WORLD ECONOMIC ORDER. THE COMMUNIQUE POINTED OUT THE IMPORTANCE LIMITED OFFICIAL USE

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OF RAW MATERIALS FOR THIRD WORLD COUNTRIES AND THE URGENCY WITH WHICH THEY SHOULD TAKE MEANS TO CORRECT THE ENORMOUS FLUCTUATIONS IN PRICES THAT HAVE CHARACTERIZED WORLD RAW MATERIAL MARKETS. ALSO, THE COMMUNIQUE REFERRED TO THE PROTECTIONIST POLICIES OF THE HIGHLY INDUSTRIALIZED NATIONS AND THE NECESSITY OF OBTAINING EASY ACCESS TO THESE MARKETS FOR THE EXPORTS OF PRODUCTS FROM THE THIRD WORLD.

- 12. THE COMMUNIQUE CITED CASTRO'S SUPPORT FOR LOPEZ PORTILLO'S POSITION THAT THE ENERGY CRISIS IS "A COMMON RESPONSIBILITY OF ALL MANKIND." THE TWO COUNTRIES AGREED ON THE NEED TO ASSURE ACCESS BY ALL COUNTRIES TO THE FINANCING AND TECHNOLOGY NEEDED TO DEVELOP ALTERNATE SOURCES OF ENERGY. ALL ENERGY RESOURCES SHOULD BE DIRECTED TOWARD THE FORMATION OF THE NEW WORLD ECONOMIC ORDER.
- 13. THE COMMUNIQUE CITED BOTH LEADERS FIRM SUPPORT FOR THE STRUGGLE OF THE PANAMANIAN PEOPLE AND GOVERNMENT TO OBTAIN "FULL SOVEREIGNTY OVER THEIR CANAL."
- 14. BOTH COUNTRIES PLEDGED TO SUPPORT SELF-DETERMINATION FOR THE PEOPLES OF ZIMBABWE AND NAMIBIA AND ANY OTHER COLONY IN CONFORMITY WITH THE DECISIONS OF THE UNITED NATIONS.
- 15. SUPPORT WAS ALSO GIVEN TO SALT II, DISARMAMENT AS EXPRESSED BY THE UNITED NATIONS, AND THE EFFORTS OF NON-ALIGNED COUNTRIES TO FIND WORLD PEACE.
- 16. BOTH GOVERNMENTS EXPRESSED THEIR PLEASURE AT THE WORK DONE BY THE MIXED INTERGOVERNMENTAL COMMITTEE FORMED IN JANUARY, 1978. THEY REVIEWED PROGRESS DONE BY OTHER AGREEMENTS SIGNED BY THE TWO GOVERNMENTS. THE BASIC AGREEMENT ON SCIENTIFIC AND TECHNICAL COOPERATION HAS

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PROGRESSED ON A WIDE VARIETY OF INTERCHANGES. 47
PROJECTS WITH 250 CUBAN TECHNICIANS ARE NOW TAKING PLACE
IN VARIOUS PARTS OF MEXICO, WITH AN EQUAL NUMBER OF MEXICAN
TECHNICIANS WORKING IN CUBA. CULTURAL, EDUCATIONAL, TOURISTIC AND SOCIAL SECURITY INTERCHANGE ARE PROCEEDING AT
AN ACCEPTABLE PACE.

- 17. THE GOVERNMENTS PLEDGED THEMSELVES TO INVESTIGATE FURTHER BILATERAL DEVELOPMENT. KEY AMONG THESE IS A PROPOSITION TO SUPPLY CUBAN CHROME AND NICKEL TO THE MEXICAN METALLURGICAL INDUSTRY. ALSO, A WIDE-RANGING AGREEMENT FOR COOPERATION BETWEEN THE SUGAR INDUSTRY OF THE TWO COUNTRIES WAS SIGNED.
- 18. THE COMMUNIQUE CITED STANDARD LANGUAGE ON NON-INTER-VENTION, STATED THE SATISFACTION OF BOTH PRESIDENTS AT THE

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CONSIDERABLE PROGRESS OF THE RELATIONS BETWEEN MEXICO AND CUBA, "COINCIDING WITH THE PROPOSITION TO PERSEVERE IN THEIR STRENGTHENING AND DIVERSIFICATION."

19. LEADERS OF THE THREE OFFICIALLY RECOGNZIED LEFT WING MEXICAN OPPOSITION PARTIES, THE PARTIDO COMUNISTA MEXICANA, THE PARTIDO SOCIALISTA DE LOS TRABAJADORES AND THE PARTIDO POPULAR SOCIALISTA, EXPRESSED THEIR SUPPORT FOR THE

VISIT AND ITS OUTCOME. THEY WERE PRESENT IN COZUMEL DURING THE VISIT.

20. COMMENT: WE WILL BE ASSESSING VISIT AFTER TALKING WITH MEXICAN PARTICIPANTS NEXT WEEK (NEW FOREIGN MINISTER AND HIS ASSISTANTS ARE NOW DEEPLY INVOLVED IN PRE-PARATION FOR VISIT OF COSTA RICAN PRESIDENT CARAZO TOMOR-ROW). VIEWED FROM AFAR AT THIS MOMENT, IT APPEARS TO US THAT MEXICANS ACHIEVED THEIR GENERAL GOAL OF STRENGTHENING TIES WITH CUBA, AND GAINING A FEW POINTS WITH MEXICAN LEFT,

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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 7793
INFO USINT HAVANA
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BUT THAT THEY MADE NO PROGRESS AT ALL ON ONE OF THEIR MAJOR FOREIGN POLICY OBJECTIVES - CUBAN ACCESSION TO THE TREATY OF TLATELOLCO . THE CUBANS ARE PROBABLY VERY SATISFIED WITH THE VISIT BECAUSE IT HAS BEEN PLAYED FAVORABLY IN THE PRESS HERE, AND BECAUSE THEY WERE ABLE TO GET SEVERAL SNIPES AT THE U.S. INCLUDED IN THE COMMUNIQUE IN ONLY SLIGHTLY VEILED FORM. (DRAFTED BY ROBERT FRETZ.) FERCH



BURFAU OF INTELLIGENCE

AND RESEARCH

MEXICO'S ROLE IN THE CONFERENCE OF LATIN AMERICAN POLITICAL PARTIES (COPPAL)

Summary

With the fall of dictator Anastasio Somoza in Nicaragua in the summer of 1979, Mexico's leadership perceived the beginning of a new power balance in Central America. It welcomed the decline of US "imperialist" influence in the area, but was concerned lest the expanding power vacuum be filled by totalitarian communism.

To counter this possibility, not only in Central America but also in the Caribbean, Mexico sought to provide a third model, itself, for the area's small nations in political transition to emulate. Rather than step forward too boldly in this effort, the Mexicans placed the government's <u>alter ego</u>, the ruling Institutional Revolutionary Party (PRI), in the vanguard. Thi tactic was designed to save the government from the stigma of interventionism, from possible rebuffs from other governments, and from blame if the initiative failed.

In October 1979, after considerable preparation, PRI President Gustavo Carvajal called a meeting of 24 "democratic, nationalistic, progressive" parties from 15 hemispheric countries. These parties organized themselves into the Conference of Latin American Political Parties, with Carvajal as president and such leading hemispheric figures as Jamaica's Manley, the Dominican Republic's Pena Gomez, and Bolivia's Paz Estenssoro among the six vice-presidents.

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Report No. 1461 September 22, 1980

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Since its inception, centered on such topics as energy, the situations in El Salvador and Guatemala, and human rights. The organization seems to have caught on and, at least as far as Mexico's preliminary aims are concerned, is successfully playing the role for which it was established. Its future depends on continued Mexican concern over expanding instability in the Central American-Caribbean region.

Even though some COPPAL initiatives may be aimed at reducing US influence, the movement has potential for strengthening US-Latin American ties. The Mexicans have aimed COPPAL at supplanting or preempting Soviet and Cuban encroachments as well as at limiting that they have perceived as US hegemony. COPPAL's basic aim of achieving relatively moderate, if strongly nationalistic, solutions to area problems, as opposed to radical and externally dominated solutions, appears more akin to US objectives than to those of our major adversaries.

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Whether from ideological conviction or simple alarm at the course of events in Central America and the Caribbean, President Lopez Portillo has chosen to make Mexico a force in inter-American affairs. For the first time in this century, Mexico has a dynamic foreign policy that seeks to use—its prestige and strengths to influence regional affairs.

Political Party as Government Surrogate

The overthrow of Somoza in Nicaragua produced a profound change in the Central American power balance. It brought to the fore a new political force, Sandinismo. Outside Nicaragua (and perhaps Cuba); little was known of this group, its leaders, or its aims. Mexico, like other nations of the hemisphere, found it necessary to educate itself about the Sandinistas. Simultaneously, other relatively unknown political groups were seeking to bring about change in other hemispheric countries, such as El Salvador, Grenada, and Guatemala.

Mexico decided it could not ignore these groups. But, because they were self-professed revolutionaries, not traditional opposition parties, contact with them could jeopardize relations with the governments in power. To solve this dilemma, and at the same time exercise influence over events in volatile regions of the hemisphere, particularly Central America and the Caribbean, the Mexican Government turned to its own Institutional Revolutionary Party (PRI).

Through the PRI, the government sought not only to learn about the new revolutionary groups, but also to establish a framework within which it might influence them.

In internal matters, it is not unusual for the Mexican President to use the PRI in this manner, especially when government involvement could be unseemly, or when official action could appear contrary to Mexico's avowed revolutionary doctrines.

The Nicaraguan situation was ideal for Mexico to test the use of the PRI as a surrogate for official action in the international sphere. In Nicaragua, the Mexicans were concerned that outside forces were becoming increasingly involved. Somoza was seen by the Mexicans both as a fascist dictator and as a lackey of the United States. But, while the Mexican left would have applauded government support for a leftist overthrow of Somoza, the Mexican middle class, which runs Mexico, would

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have felt uneasy at the prospect of radical change which might spill over into other countries in the area. Lopez Portillo's use of the PRI to implement a foreign policy program vis-a-vis Nicaragua avoided seeming to favor one group over another.

The PRI accommodates nearly all points of view in the Mexican political spectrum. Its domestic policies are never extreme, and they fit comfortably with the European-based social democratic movement. Not surprisingly, the PRI turned to the social democratic parties of the hemisphere in establishing an institution to monitor and influence area insurrectionists.

Projecting PRI Power Abroad

The selection of Gustavo Carvajal, formerly a personal assistant to Lopez Portillo, as PRI president was somewhat of a surprise in that he had not previously attained much stature in the party. Almost immediately after assuming the presidency, Carvajal, in April, publicly called for Mexico to break relations with the Somoza regime. His sudden action seemed to be a gaffe. But in all likelihood he was acting with the approval of Lopez Portillo, who probably wished to probe Mexican public reaction to such a move.

There was little reaction, and in May, Lopez Portillo announced that Mexico was severing diplomatic relations with Somoza's government.

Once relations had ended, Carvajal traveled throughout Latin America to seek support for Mexico's policy. The journey gave him the international exposure he needed to take the lead in calling for a hemispheric conference of 24 social democratic parties at Oaxaca, Mexico, in October 1979. He also let it be known that the PRI was willing to pay most of the meeting's expenses.

Membership Requirements

As Carvajal explained it, the conference was to include only parties that were "democratic, nationalistic, progressive, and anti-imperialistic." He added that they would have to be non-ideological and anti-hegemonic, conditions that allowed the conference to exclude both Communist and Christian Democratic-oriented parties, the chief rivals of the PRI and most of the other participants.

Furthermore, the conference was not to permit observers or representatives from outside the hemisphere, which enabled the organizers to finesse the question of Socialist International

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participation. Among those to be admitted were representatives of Nicaragua's Sandinistas, as well as the nominally social democratic parties from other hemispheric countries, including some parties that exist more in the minds of their leaders than in fact, e.g., the Brazilian Workers Party.

COPPAL's Establishment

The meeting, held in a distant, out-of-the-way provincial capital, received little advance publicity. None of the few reporters present in Oaxaca at the time was permitted to attend the sessions. The communique was a laundry list of causes that Latin American "liberals" usually discuss when they assemble. For almost all the participants' countries the list contained a call to right a wrong or, if the participating party was in power, a laudatory resolution. The communique also accused the United States of reintroducing the Cold War into the hemisphere and called for Puerto Rican independence. (The Puerto Rican Independence Party attended.)

The participants agreed to form themselves into the permanent Conference of Latin American Political Parties (COPPAL).*
Carvajal was elected president. Other officers chosen were:

Vice-Presidents:

Tomas Borge, Sandinist National Liberation Front, Nicaraqua

Leonal Brizola, Brazilian Workers' Party
Michael Manley, People's National Party, Jamaica
Daniel Oduber, National Liberation Party, Costa Rica
Victor Paz Estenssoro, National Revolutionary Movement,
Bolivia

José Francisco Pena Gomez, Dominican Revolutionary
Party, Dominican Republic

Executive Secretary:

Oscar Campero, Institutional Revolutionary Party,
Mexico

COPPAL's Aims

In contacts with the US Embassy in Mexico City after the conference, Carvajal stressed the moderate nature of COPPAL and explained that its object was to help keep the new leftist

^{*} See appendix for list of COPPAL member-parties.



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movements from coming under Cuban domination. (Cuba was not invited to the meeting, nor was it mentioned in the communique.) Carvajal apparently believes that COPPAL can influence the new leftists in the same way that the PRI brings domestic opposition under its wing, by co-opting its positions and people, thereby blunting its force. (Domestically, of course, the PRI resorts to payoffs when necessary and, less frequently, overcomes the opposition by strong-arm tactics.)

To gain the confidence of the dissident movements, the PRI decided that COPPAL must establish its own credentials. This undoubtedly was the reason Carvajal asked Embassy Mexico City to intercede in setting up an appointment for the COPPAL leadership to meet with President Carter. The Embassy deflected the request, but Carvajal has reiterated it several times since, almost as if he feels a need to deliver on a promise to the membership. Inasmuch as no other officer of COPPAL has brought up the question, it would appear that Carvajal was solely responsible for the initiative. But it is not likely that he would have made the proposal without the concurrence of Lopez Portillo.

It is difficult to measure how much influence the PRI, and through it the Mexican Government, has been able to exert by using COPPAL. Generally, COPPAL has taken positions that are consonant with Lopez Portillo's policies, such as denouncing the short-lived November 1979 Bolivian coup. There have been three subsequent meetings of elements of COPPAL, and in at least two of these the issues discussed reflected Mexican concerns.

Subsequent Meetings

Quito, Ecuador

In February 1980, representatives of COPPAL member-parties in oil-producing countries met in Quito to discuss energy topics. Not much is known about what was said, but the meeting undoubtedly was influential in shaping Mexican attitudes leading to the agreement with Venezuela to assist oil-importing countries in Central America and the Caribbean.

Cocoyoc, Mexico

Shortly after the February meeting, various Mexican groups issued a call for Mexico to recognize a Salvadoran revolutionary group, the Revolutionary Coordinating Board of the Masses, as the legitimate representative of the Salvadoran people. This move, similar to the one Carvaial had made earlier in favor

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of Nicaragua's FSLM, did not arouse any general sympathetic reaction from the Mexican public.

On March 3 and 4, the Directorate of COPPAL met at Cocoyoc, Mexico. Carvajal and three vice-presidents--Borge, The communique Paz Estensorro, and Pena Gomez -- were present. maintained the position that the Mexican Government had been taking on El Salvador. Thus, although the document supported "the right to self-determination of the Salvadoran-people," it did not espouse the cause of the insurrectionists at the expense of the ruling junta, a position paralleled by official Mexican policy. (Since then, Mexico has maintained a neutral public stance toward El Salvador. But it did remove its Ambassador from San Salvador, leaving only a charge, possibly signaling the beginning of a tilt toward the insurgents. Mexico also reportedly unsuccessfully sought Venezuelan consent to exclude Salvador from the joint Mexican-Venezuelan oilfinancing facility.)

Other statements in the communique were similarly moderate, yet appealing to hemispheric insurgent groups. The rhetoric used in voicing opposition to US policies was similar to that of the October communique, although there was no reference to Puerto Rico. An interesting new element was introduced: the communique denounced the information media as "dominated by centers which distort the image of democratic movements." This directly reflected a deep concern of Lopez Portillo, who reportedly once told a foreign journalist that he was opposed to the activities of US press and information agencies because they were at the service of transnational companies and were part of the US plan for dominating worldwide news resources. Transnational corporations were also criticized by the COPPAL communique.

San Jose

The PRI did not attend the COPPAL meeting on Guatemala in San Jose in May. Carvajal told Embassy Mexico City that the Mexican Government wanted to avoid the appearance of meddling in Guatemalan internal affairs.

Other PRI Initiatives

The pattern of the PRI's other international contacts, outside the framework of COPPAL but paralleling its general thrust, is consistent with Lopez Portillo's evident desire to involve Mexico more actively with the forces for hemispheric political change. For example:

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- -- Although nothing has come of it, Carvajal reportedly made an offer of aggistance to the Guatemalan Army of the Powr.
- -- Carvajal has stated that Mexico intends to draw Jamaica's Michael Manley away from radical left influences. (Manley was made a COPPAL vice-president even though he has never attended a meeting.)
- -- The PRI reportedly has provided financial aid to Peru's American Popular Revolutionary Alliance and to the Uruquayan opposition's Broad Front.

Another example, classically convoluted, was the PRI's support for the Puerto Rican independence conference in Mexico City, November 30-December 2, 1979. The PRI provided funds to the minuscule Mexican Communist Party (PCM), which bankrolled the Mexican Peace Movement (MPM), which in turn sponsored the conference on Puerto Rico.

In addition, while the PRI has been lining up the region's "social-democratic" parties through COPPAL, it has also been working on "socialist" parties through the Mexican Socialist Workers' Party (PST). The PST, assisted by the PRI and with the help of Mexican Government largesse, hosted on June 22 a meeting of Socialist parties from Chile, Costa Rica, Peru, Uruguay, Venezuela, and Puerto Rico. Also participating were Nicaragua's FSLN, El Salvador's Revolutionary Front, and a Haitian exile group. Mexico's Communist Party and Peace Movement attended as observers, along with the COPPAL Secretariat.

COPPAL's Future

COPPAL is seen by its Mexican proponents as a league of progressive elements constructing a bulwark against imperialist forces of the left and of the right -- with Mexico in the vanguard. Its overriding purpose is, then, to promote basic Mexican policy at minimum risk.

COPPAL also appeals to Mexican policymakers for several secondary reasons:

- -- It mollifies the Mexican left's demands for an antiimperialist stance.
- -- It demonstrates Mexican independence of the US.
- -- It polishes Mexico's Third World image.
- It projects the PRI as progressive and democratic.

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Veneruela oil facility, is a way to lead other Latin American countries toward a new political balance in the hemisphere. Mexico believes in the necessity to counterbalance US primacy. But it probably also perceives a decline in US ability to exercise effective indirect control and does not want the void filled by Cuba and communism. The Mexicans may also fear that a decline in US influence and indirect control over area events could lead to increasingly active or more direct US intervention. For example, Mexico reasons that governments such as the FSLN-led coalition in Nicaragua are potential allies for efforts to constrain US hegemony. But Mexico also holds that these new governments must be prevented from taking a radical path, such as Cuba's.

COPPAL's future therefore depends on a continued or heightened Mexican concern over growing area instability. As long as this concern remains high, COPPAL probably will continue to be used as an instrument through which Mexico can attempt to influence area events. If hemispheric conditions change, i.e., if international tensions diminish significantly, COPPAL will no longer be very important to Mexico.

Overall, COPPAL has the potential to serve as a vehicle for strengthening US-Latin American relations. Even though some of its attitudes and initiatives pose problems for the United States (e.g., regarding El Salvador), COPPAL aims at achieving relatively moderate, if strongly nationalistic, solutions as opposed to radical and externally dominated ones. COPPAL member-parties, particularly the PRI, will seek to limit and counter US influence and domination, but they will also seek to supplant or preempt Soviet and Cuban influence. advent of COPPAL emphasizes the multipolar context of the hemisphere's international relationships. As one US Embassy observed, the competition with the Soviets -- more precisely, with their Cuban surrogates -- remains a harsh reality. Mexico, with considerable prestige in some sectors of the hemisphere and new-found oil wealth, appears to be buying into the competition with a respectable sum of both intellectual and material leverage.

Prepared by D. DuGan x22557 **IEGLASSIFED**

Approved by W. E. Knepper x22229

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COPPAL Member - Parties

Bolivia Matigral Revolutionary Movement of the Left (MIR)

Mational Pevolutionary Movement (MARY -

Brazilian Workers Party (PTB)

Colombia Liberal Party
Latin American Parliament of Colombia

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Costa Rica National Liberation Party (PLN)

Dominican Dominican Revolutionary Party (PRD)*
Republic

Equador Demogratic Left (MID)

Concentration of Popular Forces (CFP)

El Salvador National Revolutionary Movement (MNR)

Guatemala Socialist Democratic Party (PSD)

United Revolutionary Front (FUR)

Jamaiea People's National Farty (PNP)*

Mexico Institutional Revolutionary Party (PRI)*

Popular Socialist Party (PPS)

Authentic Party of the Mexican Revolution (PARM)

Socialist Workers Party (PST)

Nicaraqua Sandinist National Liberation Front (FSLN)*

Panama Democratic Revolutionary Party (PRD)*

Peru American Popular Revolutionary Association

Puerto Rico Independence Party (PIP)

Venezuela Democratic Action (AD)
Socialist Movement (MAS)

Electoral Movement of the People (MEP)

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^{*} Denotes incumbent party in government.

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PAGE 01 ACTION ARA-16. 042122Z

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CONFIDENTIAL HAVANA 8372

E.O. 12065: GDS 12/4/86 (TIPTON, JB) OR-P

TAGS: PEPR, ENRG, MX, CU

SUBJ: HIGH-LEVEL PEMEX DELEGATION IN HAVANA

1. (U) OFFICIAL CCP DAILY GRANMA DECEMBER 4 REPORTED ARRIVAL IN HAVANA PREVIOUS DAY OF HIGH-LEVEL DELEGATION FROM PETROLEOS MEXICANOS HEADED BY PEMEX DIRECTOR GENERAL JORGE DIAZ SERRANO. OTHER MEMBERS ARE CESAR BAPTISTA, DEPUTY DIRECTOR FOR INDUSTRIAL PRODUCTION; ROBERTO OSEGUEIRA, DEPUTY MANAGER OF FOREIGN RELATIONS; REYNALDO JAUREGUI; MIGUEL GONZALEZ; AND JAVIER MENESES. DELEGATION WAS ACCOMPANIED BY CUBAN AMBASSADOR TO MEXICO FERNANDO LOPEZ MUINO AND WAS MET BY ALL-STAR CAST OF SENIOR CUBAN OFFICIALS HEADED BY MINISTER OF BASIC INDUSTRIES JOEL DOMENECH AND ECONOMIC COOPERATION MINISTER HECTOR RODRIGUEZ LLOMPART.

2. (U) ACCORDING TO GRANMA, DIAZ SERRANO ANNOUNCED UPON ARRIVAL THAT "WE HAVE THE GREATEST DESIRE TO HOLD CONVERSATIONS ON THE POSSIBILITY OF CLOSER TIES BETWEEN MEXICO AND CUBA IN THE ENERGY FIELD, CONFIDENTIAL,

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PAGE 02

HAVANA 08372 042122Z

(PETROLEUM) REFINING, TRADE IN (PETROLEUM) PRODUCTS. AND JOINT EXPLORATION, JOINING YOUR TECHNICAL CON-TRIBUTION WITH OURS." DELEGATION BEGAN TALKS IN MINISTRY OF BASIC INDUSTRIES SHORTLY AFTER ARRIVAL, THEN WAS RECEIVED BY CARLOS RAFAEL RODRIGUEZ, THIRD RANKING OFFICIAL IN CUBAN HIERARCHY. ITEMS DISCUSSED IN LATTER SESSION ACCORDING TO GRANMA WERE DEVELOPMENT OF PETROLEDUSTRY IN CUBA, MEXICAN TECHNICAL ASSISTANCE IN THIS FIELD, AND STUDIES OF POSSIBLE OFFSHORE JOINT EXPLORATION ACTIVITIES. DELEGATION WILL VISIT "NICO LOPEZ" REFINERY IN HAVANA DECEMBER 4, ONE OF TWO PRINCIPAL PETROELUM REFINERIES IN CUBA.

3. (C) INTERESTINGLY, IN RECENT CONVERSATION WITH USINT CHIEF, CUBAN OFFICIAL, APROPOS OF NOTHING, RAISED MATTER CUBA'S ENERGY PROBLEMS, COMMENTING THAT EVEN SPECIAL ARRANGEMENT WITH USSR DID NOT INSULATE CUBA ALTOGETHER AND THAT CUBA COULD NOT BE SO COMPLACENT AS TO ASSUME THIS ARRANGEMENT WAS ETERNAL. HENCE, IT HAD TO BE REVIEWING LONG-RANGE ALTERNATIVES. WHEN USINT CHIEF ASKED IF MEXICO REPRESENTED POSSIBLE ALTERNATIVE, OFFICIAL RESPONDED THAT IT BUT THAT PRICE WAS HIGH AND CUBA NOT YET IN SUCH DIFFICULT STRAITS THAT IT WILLING TO PAY IT.

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*** Current Classification *** CONFIDENTIAL

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E.O. 12065; GDS 12/5/86 (PRYCE, WILLIAM T.) OR-P

TAGS: PEPR, ENRG, CU, MX

SUBJECT: PEMEX DIRECTOR VISITS CUBA

REF: HAVANA 8372

- 1. (U) WITH REGARD TO REFTEL REPORT ON VISIT OF JORGE DIAZ SERRANO, DIRECTOR-GENERAL OF PEMEX, TO CUBA, THE LATTER TOLD THE PRESS UPON HIS DEPARTURE FROM MEXICO CITY, DECEMBER 3, THAT HE WOULD BE DISCUSSING WITH THE CUBANS CONTINUED MEXICAN ADVISORY ASSISTANCE AT THE NICO LOPEZ REFINERY IN HAVANA, POSSIBLE COMMERCIAL SALE OF MEXICAN PETROCHEMICAL AND REFINED PETROLEUM PRODUCTS, AND JOINT EXPLORATION WITH CUBANS OF OFFSHORE ZONE.
- (C) COMMENT: AMBASSADOR RAUL VALDES, FONSEC DIRECTOR-IN-CHIEF OF BILATERAL AFFAIRS, TOLD US, DECEMBER 4, THAT CUBANS CONTINUE TO BE UNINTERESTED IN PARTICIPATION IN VENEZUELAN-MEXICAN PETROLEUM FACILITY AND SUPPLY OF MEXICAN CRUDE BECAUSE OF CUBA'S PREFERENTIAL TERMS OF TRADE WITH SOVIET UNION (I.E., CONFIDENTIAL -

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PAGE 02

. MEXICO 18459 062056Z

THE LINK BETWEEN THE PRICE OF CUBAN SUGAR AND THAT OF COMMODITIES, INCLUDING OIL, PURCHASED FROM THE SOVIET UNION.) (DRAFTED: JON D. GLASSMAN) NAVA

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UNCLAS MEXICO 18615

E.O. 12065: N/A

TAGS: ENRG, EAID, MX, CU, HA, HO, RP

SUBJECT: MEXICO TO ASSIST CUBA IN OIL EXPLORATION,

AGREES TO SUPPLY CRUDE TO HAITI, HONDURAS

AND THE PHILIPPINES

- 1. PETROLEOS MEXICANOS (PEMEX) ANNOUNCED DECEMBER 5 THE SIGNING OF CONTRACTS TO SUPPLY OIL TO HAITI, HONDURAS AND THE PHILIPPINES. HAITI WILL RECEIVE 3,500 B/D, HONDURAS 6,000 B/D AND THE PHILIPPINES 10,000 B/D. SHIPMENTS TO ALL THREE ARE TO BEGIN DURING FIRST QUARTER OF 1981.
- ACCORDING TO NEWS SERVICE REPORTS FROM HAVANA PUBLISHED IN MEXICO CITY NEWSPAPERS, PEMEX DIRECTOR GENERAL DIAZ SERRANO AND CUBAN MINISTER OF ECONOMIC COOPERATION HECTOR RODRIGUEZ LLOMPART SIGNED A PROTOCOL DECEMBER 6 BETWEEN MEXICO AND CUBA WHICH ESTABLISHES A JOINT PROGRAM OF GEOLOGICAL EXPLORATION FOR OIL AND GAS UNCLASSIFIED

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PAGE 02 MEXICO 18615 112126Z

IN CUBAN OFFSHORE AREAS. THE PROTOCOL, ACCORDING TO THE REPORTS, ALSO ESTABLISHES COOPERATIVE PROGRAMS TO INCREASE CUBAN LPG PRODUCTION, INCLUDING THE FIRST PHASE OF REMODELING THE CATALYTIC CRACKING UNIT IN THE NICO LOPEZ REFINERY IN HAVANA. IN ADDITION, THE PROTOCOL SETS UP AN INTERCHANGE OF PETROLEUM PRODUCTS AND PROVIDES FOR PEMEX COOPERATION IN HELPING CUBA OBTAIN PETROLEUM PRODUCTS. DIAZ SERRANO OBSFRVED THAT THE JOINT EXPLORA-TION ACTIVITIES TO BE CARRIED OUT UNDER AGREEMENT MAY HAVE RESULT OF PROVING THAT GEOLOGICAL STRUCTURES FORMING MEXICO'S OFFSHORE OIL FIELDS IN CAMPECHE EXTEND TO CUBA. ALTHOUGH IT IS DIFFICULT, DIAZ SERRANO SAID, TO

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PREDICT WHEN THERE WILL BE CONCRETE RESULTS, THE PRE-LIMINARY INDICATIONS ARE PROMISING. NAVA

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UNCLAS MEXICO 19059

E.O. 12065: N/A

TAGS: ENRG, MX, CU, SP

SUBJECT: MEXICAN OIL DEVELOPMENTS: ASSISTANCE TO CUBA FOR OIL EXPLORATION AND REFINERY REMODELING: PURCHASE OF ADDITIONAL SHARES IN SPANISH REFINERY

REFS: (A) MEXICO 18615 (B) HAVANA 8444 (C) HAVANA 8372

- 1. PEMEX INFORMED PRESS DECEMBER 15 THAT TECHNICAL COMMERCIAL MISSION FROM CUBA WILL ARRIVE IN MEXICO IN JANUARY TO FLESH OUT AGREEMENT REPORTED IN REFTELS. IN ADDITION TO EXCHANGE OF CUBAN KEROSENE FOR MEXICAN LPG MENTIONED IN REF B. NEWS ITEM SAYS SALE OF MEXICAN AMMONIA AND METHANOL TO CUBA WILL BE DISCUSSED. NEWS ITEM ALSO SAYS THAT PEMEX IS INTERESTED IN SUPPLYING MEXICAN-MADE EQUIPMENT TO CUBA FOR USE IN REMODELING OF NICO LOPEZ REFINERY, AND ADDS THAT "BASIC OIL SUPPLIES WERE DISCUSSED, AND PEMEX HAS OFFERED TO STUDY CUBA'S NEEDS IN THIS AREA..."
- 2. IN ANOTHER STATEMENT TO PRESS, PEMEX HAS ANNOUNCED UNCLASSIFIED

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PAGE 02 MEXICO 19059 190721Z

IT WILL BECOME LARGEST SHAREHOLDER OF PETRONOR (PETROLEOS DE NOROESTE OF BILBAO, SPAIN) WHEN THE FINAL DOCUMENTS ARE SIGNED FOR THE ACQUISITION OF 19.29 PERCENT OF PETRONOR SHARES DURING FIRST TWO WEEKS OF JANUARY 1981. PEMEX WILL THEN OWN 34.29 PERCENT. PEMEX DIRECTOR DIAZ SERRANO IS TO TRAVEL TO BILBAO FOR SIGNING. DRAFTED BY KRIS ATCHLEY. NAVA

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E.O. 12065:NOT APPLICABLE

TAGS: PEPR, ENRG, MX, CU

SUBJECT: EMBARGO IMPLICATIONS OF MEXICO-CUBA OIL

AGREEMENT

REF: HAVANA 8444

1. REFTEL REPORTS CUBA-MEXICO OIL COOPERATION AGREEMENT INCLUDES OFFSHORE GEODETIC SURVEYS TO BE PERFORMED 0Y

PEMEX USING QUOTE MEXICAN BOATS AND TECHNICIANS UNOUOTE. LIMITED OFFICIAL USE

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WHEN APPROPRIATE OPPORTUNITY ARISES, REQUEST EMBASSY REMIND GOM AND PEMEX OFFICIALS THAT TREASURY CUBAN ASSET CONTROL AND COMMERCE EXPORT ADMINISTRATION REGULATIONS REQUIRE U.S. LICENSE FOR USE OF U.S. ORIGIN EQUIPMENT, TECHNICAL DATA AND/OR PERSONNEL IN CUBAN OFFSHORE WATERS. PROCESSING AND/OR ANALYSIS OF GEOLOGICAL DATA



.TS authority to

- FROM CUBA BY U.S. BASED FIRMS OR THEIR FOREIGN AFFILIATES WOULD ALSO REQUIRE A TREASURY DEPARTMENT LICENSE.
 - 3. IT SHOULD BE EMPHASIZED THAT THESE RESTRICTIONS UNCLASSIFIED ARE LONG STANDING AND ARE UNIFORMLY APPLIED TO ALL THIRD COUNTRY TRADE AND ECONOMIC COOPERATION WITH CUBA. PAST CANADIAN, U.K. AND FRENCH JOINT COOPERATION PROJECTS WITH CUBA IN ENERGY AND OTHER TECHNICAL AREAS HAVE OPERATED UNDER THE SAME RESTRICTIONS. MUSKIE

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CONFIDENTIAL SECTION 1 OF 2 HAVANA 0136

E.O. 12065: GDS 1/8/87 (TIPTON, JOHN B.) OR-M

TAGS: PEPR, ENRG, MX, CU

SUBJ: CUBA-MEXICO OIL AGREEMENT

REF: (A) 80 STATE 342377 (B) 80 MEXICO 19059 (C) 80 HAVANA 8444 (D) 80 MEXICO 18615 (E) 80 MEXICO 18459 (F) 80 HAVANA 8372

1. CONFIDENTIAL ~ENTIRE TEXT

- 2. WE HAVE OBTAINED COPY OF WHAT PURPORTS TO BE TEXT OF CUBA-MEXICO PETROLEUM AGREEMENT SIGNED IN HAVANA ON DECEMBER 5, 1980 (REFS C AND D). COPY WE HAVE IS TRANS-LATION INTO FRENCH FROM THE ORIGINAL SPANISH AND IS TRANSMITTED AS SUCH RATHER THAN TRYING TO FILTER IT ONE MORE TIME.
- 3. IN VIEW OF DEPT'S CONCERN ABOUT POSSIBLE TRANSFER OF US TECHNOLOGY TO CUBA VIA MEXICO, WE PARTICULARLY DIRECT ATTENTION TO PROVISION UNDER POINT THREE IN WHICH MEXICO AGREES TO FURNISH CUBA EQUIPMENT MANUFACTURED IN MEXICO AND "TO MAKE ALL EFFORTS" TO OBTAIN SUCH MATERIAL "MANUFACTURED IN OTHER COUNTRIES."

TEXT FOLLOWS:

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4. PROTOCOLE

DES CONVERSATIONS SOUTENUES ENTRE LA DELEGATION DE LA COMPAGNIE DES PETROLES MEXICAINS ET LE COMITE D'ETAT DE COLLABORATION ECONOMIQUE DU 3 AU 6 DECEMBRE 1980, L'INGENIEUR JORGE DIAZ SERRANO, DIRECTEUR GENERAL DE LA COMPAGNIE DES PETROLES MEXICAINS A VISITE NOTRE PAYS, REPONDANT A L'INVITATION QUE LUI AVAIT FAITE LE VICE-PRESIDENT DU CONSEIL DES MINISTRIES ET MINISTRE DES INDUSTRIES DU BASE JOEL DOMENECH BENITEZ.

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LES LISTES DES MEMBRES DE LA DELEGATION DE "PETROLEOS MEXICANOS" ET DES FONCTIONNAIRES QUI ONT PARTICIPE AUX CONVERSATIONS POUR LA PARTIE CUBAINE, SONT FOURNIES RESPECTIVEMENT EN ANNEXES 1 ET 2 DE CE PROTOCOLE.

LES SUJETS FONDAMENTAUX TRAITES PAR LES DEUX PARTIES QUI ETE LES SUIVANTS:

- 1) PROGRAMME DE TRAVAIL CONJOINT DE PROSPECTION GEOLOGIQUE, POUR LE PETROLE ET LE GAS, SUR LA PLATA-FORME SOUS MARINE DE LA REPUBLIQUE DE CUBA.
- 2) OPERATIONS NECESSAIRES PUR AUGMENTER LE PRODUCTION DE GAZ LIQUEFIE DANS LA REPUBLIQUE DE CUBA, COMPARTANT LA PREMIERE PHASE DE REFECTION DE L'USINE DE CROQUAGE CATALYTIQUE DE LA RAFFINERIE NICO LOPEZ DE LA HAVANE.
- 3) ECHANGE DE PRODUITS ET COOPERATION DE LA CONFIDENTIAL

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COMPAGNIE DES PETROLES MEXICAINS PUR L'ACQUISITION D'AUTRES DERIVES DU PETROLE ET L'ASSISTANCE TECHNO-LOGIQUE DANS CETTE BRANCHE.

SUR LE POINT I

LES DEUZ PARTIES SE SONT MISES D'ACCORD POUR CONTINUER LES TRAVAUX PREPARATOIRES ET L'ECHANGE D'INFORMAIONS VISANT A L'ESTABLISSEMENT DU PROGRAMME DE TRAVAIL CONJOINT DE PROSPECTION GEOLOGIQUE POUR LE PETROLE ET LE GAS, SUR LA PLATEFORME SOUS-MARINE DE LA REPUBLIQUE DE CUBA AU PREMIER SEMESTRE DE L'ANNEE 1981. EVENTUELLEMENT, D'AUTRES ASPECTS DE L'ACTIVITE PETROLIÈRE POURRNAT Y ETRE INCLUS.

LES DEUX PARTIES CONSTITUERONT UN GROUPE DE TRAVAIL POUR L'ETABLISSEMENT DES PROGRAMMES CONSIDERES.

SUR LE POINT 2

LES DEUX PARTIES SE SONT MISES D'ACCORD POUR ETUDIER LES MOYENS PERMETTANT D'AUGMENTER LA PRODUCTION CUBAINE DE GAS LIQUEFIE, INCLUANT LA PREMIÈRE PHASE DE REFECTION DE L'USINE DE CRAQUAGE CATALYTIQUE DE LA RAFFINERIE "NICO LOPEZ" POUR LAQUELLE IL EST ETABLI:

-QUE LA PARTIE CUBAINE REALISERA LES PROJECTS DE REFECTION, LESQUELS SERONT REVISES PAR LA SOCIETE "PETROLEOS MEXICANOS" A L'OCCASION DE CONSULTATIONS QUI SERONT DECIDEES D'UN COMMUN ACCORD;

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· -QU'IL EST ENTENDU D'EFFECTUER DES CONSULTATIONS AUX PREMIER ET TROISIEME TRIMESTRES 1981 PAR L'ENVOI A MEXICO (MERIDA?) DE SPECIALISTES CUBAINS POUR UN MOIS;

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- QUE LA COMPAGNIE DES PETROLES MEXICAINS ENVERRA DES SPECIALISTES PENDANT LA REPARATION GENERALE DE L'UNITE DE "CRACKING" CATALYTIQUE PROGRAMMEE POUR LE QUATRIEME TRIMESTRE 81. LA PARTIE CUBAINE ESTIME QUE CETTE REFECTION DURERA 45 JOURS.
- LA COMPAGNIE "PETROLEOS MEXICANOS" EST DISPOSEE, SUR DEMANDE DE LA PARTIE CUBAINE, A FOURNIR LES EQUIPEMENTS ET MATERIELS QUI SE FABRIQUENT AU MEXIQUE POUR LA PREMIERE PHASE DES REPARATIONS, ELLE FERA EGALEMENT DE SON MIEUX POUR EFFECTUER LES ACQUISITIONS D'EQUIPEMENTS ET MATERIELS PROVENANT D'AUTRES PAYS, SUGGERANT PAR NECESSITE D'EFFECTUER LES OPERATIONS DE FACON CONTINUE, DE NE PAS COMMENCER LA PREMIERE PHASE AVANT D'AVOIR, SUR LE LIEU MEME DES TRAVAUX, LES MATERIELS ET LES EQUIPEMENTS NECESSAIRES.

LES CONDITIONS DE PAIEMENT, PRIX ET TRANSPORT SERONT ETABLIS SUR LA BASE "COUTE PLUS FRAIS". LES DETAILS SERONT DISCUTES PAR UNE MISSION TECHNICO-COMMERCIALS QUI VISITERA MEXICO AU MOIS DE JANVIER 1980 AFIN DE CONCRETISER CETTE OPERATION.

SUR LE POINT 3

LA PARTIE MEXICAINE A MANIFESTE SON ACCORD POUR ETUDIER LES "PROFORMAS" DE NEGOCIATIONS EN VUE DE L'ACHAT ET LA VENTE DE GAZ LIQUEFIE MEXICAIN ET DE KEROSENE CUBAIN.

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CONFIDENTIAL SECTION 2 OF 2 HAVANA 0136

LES DEUX PARTIES SE SONT MISES D'ACCORD POUR OU'EN JANVIER 1981 UNE MISSION TECHNICO-COMMERCIALE CUBAINE VOYAGE A MEXICO AFIN DE CONCRETISER CES OPERATIONS. D'ICI CETTE DATE, LES DEUZ PARTIES ANALYSERONT LES POINTS SUIVANTS:

MECANISME DES PRIX

AMENAGEMENT DES INSTALLATIONS PORTUAIRES NECESSAIRES

COUT DE FRETS A PRENDRE EN CONSIDERATION

CARACTERISTIQUES DES DEUX PRODUITS

LA PARTIE CUBAINE A REMIS AU COURS DES CONVERSATIONS UNE LISTE DES ACCESSORIES ET INSTRU-MENTS NECESSAIRES POUR LA MISE EN OPERATION DES BOMBONNES DE STOCKAGE DU GAS LIQUEFIE DE PETROL,

LA PARTIE MEXICAINE EST DISPOSEE A FOURNIR LES ACCESSOIRES ET INSTRUMENTS QUI SONT FABRIQUES AU MEXIQUE ET FERA TOUS LOS EFFORTS POUR SE CHARGER DE L'ACQUISITION DE CEUX QUI SONT FABRIQUES DANS D'AUTRES PAYS. LES CONDITIONS DE PAIEMENT, DE CONFIDENTIAL

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PRIX ET DE TRANSPORT SERONT DISCUTES LORS DE LA MISSION TECHNICO-COMMERCIALE CUBAINE QUI SE RENDRA A MEXICO AU COURS DU PROCHAIN MOIS DE JANVIER 1981.

EN OUTRE, LA PARTIE CUBAINE A FAIT SAVOIR QU'ELLE ETAIT EN MESURE D'EXPORTER JUSQU'A 35.000 TONNES DE "SLURRY" (PRODUITS AYANT LA CONSISTANCE DE BOUES QUI, ENTRE AUTRES UTILLISATION, SONT FREUQEMMENT EMPLOYES DANS LES ECHANGEURS DES CHAUDIERES POUR ANNULER LES EFFETS CORROSIFS DU SODIUM ET DU POTASSIUM CONTENUS DANS LES PRODUITS DE COMBUSTION DU FUEL-OIL (MASOUT) PAR AN PENDANT LE PROCHAIN OUINOUENNAT.

LA PARTIE MEXICAINE S'EST RESERVEE DE REPONDRE AU COURS DES CONVERSATIONS DE JANVIER SUR LA POSSIBILITE DE L'ACQUISITION DE CE PRODUIT DONT LES SPECIFICATIONS ONT ETE REMISES PAR LA PARTIE CUBAINE AU COURS DES CONVERSATIONS.

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LA PARTIE MEXICAINE, AU COURS DES CONVERSATIONS,
- A MANIFESTE L'INTERET DE VENDRE A CUBA DES PRODUITS
COMME L'AMMONIAQUE ET LE METHANOL ET A DEMANDE A LA
PARTIE CUBAINE, SI ELLE EST INTERESSE DE PRECISER
LES QUANTITES DONT ELLE AURAIT BÉSOIN POUR LES
PROCHAINES ANNEES.

UNCLASSIFIED

LA PARTIE CUBAINE S'EST ENGAGEE A REPONDRE PENDANT LA PREMIER TRIMESTRE 1980.

LA PARTIE CUBAINE PRECISERA A "PETROLEOS MEXICANOS" AU COURS DU PREMIER TRIMESTRE DE 1981 LES VOLUMES, LES CATEGORIES ET LES QUALITES D'HUILES DE BASE QUI LUI SERONT NECESSAIRES AU COURS DES ANNEES 1981 ET CONFIDENTIAL;

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1982.

PENDANT LE PREMIER SEMESTRE 1981, "PETROLEOS MEXICANOS" PRECISERA LES CATEGORIES, LES VOLUMES ET LES QUALITES DES HUILES DE BASE SUSCEPTIBLES D'ETRE FOURNIS EN 1981 ET LES DEUX PARTIES ETUBIERONT LES POSSIBILITES POUR LA PERIODE 1982/85.

LE PRESENT PROTOCOLE EST SOUSCRIT LE 5 DECEMBRE 1980 A LA HÁVANE, EN DEUX EXEMPLAIRE FAISANT EGALEMENT FOI.

LA PARTIE MEXICAINE SOUMETTRE AU CONSEIL D'ADMINISTRATION DE LA COMPAGNIE "PETROLEOS MEXICANOS" LES TERMES DU PRESENT PROTOCOLE. UNE FOIS RATIFIE, IL SERA NOTIFIE IMMEDIATEMENT A LA PARTIE CUBAINE.

HECTOR RODRIQUEZ LLOMPART PRESIDENT DU COMITE D'ETAT DE COLLABORATION ECONOMIQUE

ING. JORGE DIAZ SERRANO DIRECTEUR GENERAL DE LA COMPAGNIE "PETROLEOS MEXICANOS" TIPTON

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*** Current Handling Restrictions *** n/a
*** Current Classification *** CONFIDENTIAL

(EX114)

TEXT OF TELEGRAM 82STATE 079395

ADP243 SECRET

PAGE 01 STATE 079395 ORIGIN INR-10

INFO UCT-00 ADS-00 SS-10 CIAE-00 NSCE-00 ARA-16 NSAE-00 SSO-00 INRE-00 /036 R

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O 251654Z MAR 82 FM SECSTATE WASHDC TO AMEMBASSY MEXICO CITY IMMEDIATE INFO AMEMBASSY GUATEMALA CITY IMMEDIATE AMEMBASSY SAN SALVADOR IMMEDIATE AMEMBASSY TEGUCIGALPA IMMEDIATE

SECRET STATE 079395

E.O. 12065: GDS-9/25/88
TAGS: MX, GT, ES, HO, PINT, PINS
SUBJECT: ASSISTANCE TO INSURGENTS IN EL SALVADOR AND
GUATEMALA FROM MEXICAN TERRITORY

- 1. SECRET ENTIRE TEXT.
- 2. DEPARTMENT WOULD APPRECIATE EMBASSY'S OVERALL EVALUATION OF THE EXTENT TO WHICH MEXICAN TERRITORY MIGHT NOW BE USED TO SUPPLY ARMS, MONEY, TRAINING, AND OTHER SUPPORT TO INSURGENTS IN EL SALVADOR, QUATEMALA AND ELSEWHERE IN CENTRAL AMERICA. OF PARTICULAR INTEREST IS EMBASSY'S EVALUATION OF THE EXTENT, AND AT WHAT LEVELS, ASSISTANCE GIVEN TO INSURGENTS MIGHT RECEIVE GOVERNMENT SUPPORT OR ACQUIESCENCE. EMBASSY IS ENCOURAGED TO SPECULATE, IN LIGHT OF ITS KNOWLEDGE OF THE WORKINGS OF THE MEXICAN POLITICAL SYSTEM AND SOCIETY, ON THE POSSIBILITY THAT SUCH ASSISTANCE FROM ANY SOURCE IN MEXICO COULD EVADE SECRET

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KNOWLEDGE OF THE HIGHEST POLICYMAKERS.

2. INTERROGATION REPORTS BY SALVADORAN AUTHORITIES OF CAPTURED NICARAGUAN, AND HIS SUBSEQUENT ESCAPE INTO THE MEXICAN EMBASSY IN SAN SALVADOR, RAISE AGAIN QUESTION OF MEXICAN OFFICIAL COOPERATION WITH GUERRILLAS. OTHER

REPORTS SUGGEST A DISTURBING LEVEL OF MEXICAN OFFICIAL ACCOMMODATION TO GUATEMALAN GUERRILLAS, DESPITE MEXICAN

United States Department of State
Office of FOI, Privacy, & Classification Review
Review Authority: LANDFAIR, WILLIAM E.
Date: 05/20/94
Case ID: S940034B

DECLASSIFIED

ARMY'S APPARENT DESIRE TO CLAMP DOWN. DEPARTMENT ASSUMES THAT WITHIN MEXICAN PLURALISTIC POLITICAL STRUCTURE VARIOUS CENTERS EXIST FOR SUPPORT OR FACILIATION OF GUERRILLA ACTIVITIES IN OTHER COUNTRIES. WE ASSUME MEMBERS OF THE LEFTWING OF THE PRI ASSIST GUERRILLAS; IS THIS ASSUMPTION VALID? WE ARE UNCLEAR, HOWEVER, ABOUT HOW SUCH AID MIGHT BE EXTENDED, BY WHOM AND TO WHAT EXTENT THE MAGNITUDE OF ASSISTANCE IS KNOWN TO THE MORE CONSERVATIVE WING OF THE PRI AND TO THE PRESIDENT'S CLOSEST COLLABORATORS. SIMILARLY, INFORMATION ON WHETHER NATIONAL, STATE AND LOCAL GOVERNMENT DEFICIALS OF LEFTIST BENT MIGHT ASSIST GUERRILLAS WITHOUT TOP-LEVEL KNOWLEDGE IS DF INTEREST. EMBASSY COMMENTS MIGHT TOUCH ON DIPLOMATIC CORPS AND UNIVERSITY SYSTEM AS SOURCES OF GUERRILLA SUPPORT.

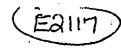
4. WE REALIZE THAT HARD INFORMATION ON THIS SUBJECT IS DIFFICULT TO OBTAIN. NEVERTHELESS, EMBASSY EVALUATION IS NEEDED IN ORDER TO PUT IN CONTEXT OCCASIONAL, DISTURBING REPORTS THAT DUCUMENT MEXICAN OFFICIAL ATTITUDE TOWARD GUERRILLA SUPPORT ACTIVITIES IN MEXICO. HAIG

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TEXT OF TELEGRAM 82MEX1CD004326

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PAGE 01 MEXICO 04326 01 0F 03 3023012

ACTION SS-25

INFO OCT-00 ADS-00 \$\$0-00 \$VC-00 /025 W

O 302253Z MAR 82 FM AMEMBASSY MEXICO TO SECSTATE WASHOC IMMEDIATE 9294 INFO AMEMBASSY GUATEMALA PRIORITY AMEMBASSY SAN SALVADOR PRIORITY AMEMBASSY TEGUCIGALPA PRIORITY

CONFIDENTIAL SECTION OF 03 MEXICO 04326

EXDIS

E.O. 12065: GDS 3/29/88

TAGS: MX GT, ES, HO, PINT, PINS

SUBJECT: ASSISTANCE TO INSURGENTS IN EL SALVADOR AND

GUATEMALA FROM MEXICAN TERRITORY

REF: STATE 79395

1. C - ENTIRE TEXT.

2. SUMMARY. IN MEXICO CITY THE GOM PERMITS AND ASSISTS POLITICAL ACTIVITIES OF OFFICES REPRESENTING EXILES AND INSURGENT GROUPS, PARTICULARLY SALVADORANS. WE SUSPECT BUT CANNOT PROVE THAT PRI/COPPPAL MAY FURNISH SOME FINANCIAL ASSISTANCE. GOM MAY LOOK THE OTHER WAY WHEN INSURGENTS USE THE CAPITAL FOR OPERATIONAL NEEDS, POSSIBLY EVEN ACQUIRING ARMS. WE NOTE THAT PUBLIC DISCLOSURES OF ANY SUCH TRANSACTIONS, HOWEVER, WOULD BE A SERIOUS EMBARRASSMENT TO THE GOM. IN THE BORDER AREAS, THERE IS MORE EVIDENCE OF MATERIAL ASSISTANCE TO INSURGENTS, PARTICULARLY GUATEMALANS. HERE, HOWEVER, GOM MAY NOT BE FULLY AWARE OF SUPPORT ACTIVITIES OF LOCAL LEFTIST GROUPS AND CLERGY, AND IN REMOTE AREAS MAY NOT EVEN BE ABLE TO CONTROL THE CONFIDENTIAL

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BORDER. IN THE MORE POPULATED AREAS THE ARMY COULD DO A BETTER JOB OF PATROLING, DESPITE CONCERN ABOUT BORDER EXPRESSED PRIVATELY BY MEXICAN SECDEF. GOM ASSOCIATION WITH LEFTIST INSURGENTS MAY DECLINE UNDER DE LA MADRID. ESPECIALLY IF THE LEFT PROSPERS EITHER IN GUATEMALA OR EL SALVADOR. BUT LONG-STANDING MEXICAN SYMPATHY FOR LEFTIST CAUSES IN LATIN AMERICA WILL CONTINUE. FURTHER REPORT ON SOUTHERN BORDER REGION WILL BE SUBMITTED LATER THIS WEEK ON COMPLETION OF FIELD TRIP BY TWO EMBOFFS.

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United States Department of State
Office of FOI, Privacy, & Classification Review
Review Authority: LANDFAIR, WILLIAM E
Date: 05/20/94
Case ID: S940034B

END SUMMARY.

3. GENERAL OBSERVATIONS

MEXICO IS DIVIDED ON SUPPORT TO INSURGENTS IN CENTRAL AMERICA. THE POLITICAL LEFT AND SOME CHURCH LEADERS FAVOR ASSISTANCE AND EVEN ENGAGE IN IT MORE OR LESS OVERTLY. THE PRIVATE SECTOR AND AT LEAST THE MAJORITY OF THE MILITARY LEADERS OPPOSE ASSISTANCE AND ARE CONCERNED ABOUT THE IMPACT ON MEXICO OF THE RADICALIZATION OF CENTRAL AMERICA. THE PRI AND THE GON TRADITIONALLY SEEK THE MIDDLE WAY BETWEEN SUCH POLITICAL POLES. AND IN THIS CASE HAVE NOT SURPRISINGLY ADOPTED AN AMBIGUOUS STANCE. ON THE ONE HAND, FOLLOWING THE GOSPEL OF "NON-INTERFERENCE," THE GOM PROCLAIMS AN OFFICIAL POLICY OF ALLOWING POLITICAL REFUGEES TO ENTER MEXICO. BUT ONLY IF THEY ARE DISARMED AND DO NOT OPENLY USE MEXICAN TERRITORY TO ORGANIZE MILITARY ACTIONS AGAINST THE GOVERNMENT OF CENTRAL AMERICA. ON THE OTHER HAND, THE GOM HAS BENIGNLY EN-COURAGED PRO-INSURGENT POLITICAL ACTIVITIES ON ITS TERRITORY. AND IN A FEW CASES MAY EVEN HAVE TURNED A BLIND EYE TO DPERATIONAL ACTIVITY.

4. AS THE DEPARTMENT NOTES, OUR ESTIMATES ON MORE SPECIFIC ACTIVITIES AND WHAT FACTIONS MAY BE INVOLVED (\$) CONFIDENTIAL CONFIDENTIAL

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BASED ON RELATIVELY FEW PIECES OF HARD INFORMATION. HOWEVER, THE FOLLOWING ANALYSIS BY REGION MAY. HELP THE DEPARTMENT FORM AN OVERALL IMPRESSION.

5. SITUATION IN THE CAPITAL

PRO-INSURGENT ACTIVITY IN MEXICO CITY IS PROBABLY MORE SIGNIFICANT FROM A POLITICAL STANDPOINT THAN ELSEWHERE IN THE COUNTRY. HERE THE FNLN/FDR MAINTAINS A LARGE AND WELL-ORGANIZED POLITICAL/DIPLOMATIC LOBBYING ORGAN-IZATION. IN AN EFFORT TO GENERATE MEXICAN PUDLIC SUPPORT AND INTERNATIONAL SYMPATHY, THE ORGANIZATION OPENLY ADVERTISES. PROMOTES COLLOQUIUMS AND PARTICIPATES IN DEMONSTRATIONS. THE GOM AND PRI OVERTLY FACILITATE THESE ACTIVITIES BY THE SALVADDRAN OPPOSITION. GUATEMALAN GROUPS IN MEXICO CITY HAVE SO FAR BEEN FRACTIONALIZED AND LESS VISIBLE THAN THE FMLN/FDR, BUT THE GOM IS CERTAINLY AWARE OF GUATEMALAN OPPOSITION ACTIVITIES. WE SUSPECT BUT CANNOT PROVE THAT PRI/COPPPAL MAY PROVIDE SOME FINANCIAL ASSISTANCE TO THE POLITICAL ACTIVITIES OF BOTH SALVADORAN AND GUATEMALAN REPRESENTATIVES. THERE IS ALSO EVIDENCE THAT PRI/GOM OFFICIALS HAVE INTERVENED ON BEHALF OF VARIOUS REVOLUTIONARY GROUPS WHO HAVE RUN AFOUL OF MEXICAN AUTHORITIES. THERE ARE FREQUENT AND OPEN CONTACTS BETWEEN SALVADORAN AND GUATEMALAN INSURGENT REPRESENTATIVES AND

MEXICO CITY'S VERY LARGE ACADEMIC COMMUNITY. SIMILARLY, THERE ARE NO RESTRICTIONS ON CONTACT BETWEEN THE DIPLOMATIC CORPS AND INSURGENT REPRESENTATIVES. WE ASSUME THAT FINANCIAL SUPPORT TO THE LEFT ALSO PASSES THROUGH THESE CHANNELS.

NOTE BY OC/T: (\$) TEXT GARBLED; CORRECTIONS TO FOLLOW.

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PAGE 01 MEXICO 04326 02 0F 03 3023042 ACTION SS-28

INFO OCT-00 ADS-00 SSO-00 /025 W

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FM AMEMBASSY MEXICO
TO SECSTATE WASHOC IMMEDIATE 9295
INFO AMEMBASSY GUATEMALA PRIORITY
AMEMBASSY SAN SALVADOR PRIORITY
AMEMBASSY TEGUCIGALPA PRIORITY

C O N F I D E N T I A L SECTION O2 DF 03 MEXICO 04326

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6. WE HAVE LITTLE INFORMATION ON ACTUAL OPERATIONAL. ACTIVITIES IN THE MEXICO CITY AREA. WE WOULD NOT BE SUR-PRISED IF EITHER GUATEMALAN OR SALVADORAN INSURGENTS HAVE SAFEHOUSES IN THE MEXICO CITY AREA, ALTHOUGH SECDEF GALVAN TOLD DEFATT ON MARCH 4 THAT ARMY HAD ACTED ON PAST ALLEGA-TIONS AND FAILED TO TURN ANYTHING UP. IT IS EVEN POSSIBLE THAT SOME LIGHT ARMS MAY CHANGE HANDS IN THE CAPITAL OR NEARBY. MEXICAN AUTHORITIES HAVE REACTED WHEN TIPPED OFF BY OTHERS ABOUT POSSIBLE ARMS TRANSACTIONS. BUT WE SEE LITTLE EVIDENCE OF SELF-GENERATED MEXICAN EFFORTS TO PRE-CLUDE THEM. ON THE OTHER HAND. FOREIGN MINISTER CASTANEDA HAS PUBLICLY INSISTED THAT MEXICO PROVIDES NO ARMS TO ANY GOVERNMENT OR FACTION IN CENTRAL AMERICA. AND THE LOPEZ PORTILLO GOVERNMENT WOULD BE SERIOUSLY EMBARRASSED IF THIS ASSERTION WERE PUBLICLY DISPROVEN. DESPITE GUATEMALAN OFFICIAL ASSERTIONS, WE HAVE NO EVIDENCE OF ANY TRAINING CAMPS IN THE MEXICO CITY AREA. THE ONLY REPORT WE HAVE OF TRAINING CAMPS ELSEWHERE IN THE COUNTRY IS FROM GUTIERREZ ESPINOSA'S CONFESSION TO SALVADDRAN SECURITY OFFICIALS. FOR THE MOMENT, WE ARE RESERVING JUDGMENT ON THAT REPORT.

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7. SITUATION ON THE BORDER

THE SITUATION IN THE MEXICAN-GUATEMALAN BORDER REGION IS MORE COMPLEX, BUT AT THE SAME TIME IN DUR VIEW OF LESS SIGNIFICANCE POLITICALLY AS AN INDICATOR OF GOM POLICY. (I.E., THERE MAY BE ISOLATED LOCAL ACTIVITIES THAT ARE UNKNOWN TO MEXICAN CENTRAL AUTHORITIES OR THAT WOULD BE DIFFICULT TO IMPOSSIBLE TO CONTROL EVEN IF KNOWN.) IT SEEMS LIKELY THAT THERE IS A CERTAIN AMOUNT OF CROSS-BORDER PAGE NO.

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INSURGENT ACTIVITY IN CHIAPAS. THE PAN-AMERICAN HIGHWAY ALONG THE COAST IS HEAVILY TRAVELED. AND LIMITED AMOUNTS OF SMALL ARMS OR AMMUNITION DESTINED EITHER FOR GUATEMALA OR EL SALVADOR MAY WELL CROSS THE BORDER HERE. WITH THE PAYMENT OF A "MORDIDA" TO THE CUSTOMS INSPECTOR. WE HAVE HAD A FEW REPORTS OF SUCH SHIPMENTS. BUT OUR REPORTS DO NOT SUGGEST GOM PRIOR KNOWLEDGE OR APPROVAL. THERE ARE STRONGER INDICATIONS OF SAFEHOUSES AND/OR SUPPLY OPERATIONS IN CHIAPAS FOR GUATEMALAN GUERRILLAS. AND WE SUSPECT THAT SOME MEXICAN CLERGY AND/OR LEFTIST GROUPS IN THE AREA ARE ACTIVELY COLLABORATING WITH INSURGENT LEADERS. HOWEVER. IN THE RELATIVELY OPEN. WELL-POPULATED AREA OF CHIAPAS BETWEEN TAPACHULA AND COMITAN, IT SEEMS UNLIKELY THAT THERE ARE ANY IMPORTANT SANCTUARIES FOR GUATEMALAN GUERRILLAS. SOME 50.000 TO 100.000 MIGRANT SEASONAL COFFEE AND COTTON PICKERS HAVE NOW LARGELY RETURNED OR ARE RETURNING TO GUATEMALA; APPROXIMATELY 5.000 GUATEMALAN INDIAN REFUGEES REMAIN IN TEMPORARY SETTLEMENTS WITHIN A KILOMETER OR TWO OV THE BORDER, LIVING ON SUBSISTENCE SUPPLIES FURNISHED BY THE GOM COMMITTEE FOR REFUGEES. THESE INDIANS ARE ALSO EXPECTED TO RETURN TO GUATEMALA SOON IN TIME TO PLANT THEIR ANNUAL CORN CROPS. WE ARE INCLINED TO ACCEPT THE 2 GOM VIEW THAT THESE MOVEMENTS ARE CYCLICAL, WITH THE NUM-CONFIDENTIAL CONFIDENTIAL

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BERS OF GUATEMALANS PERHAPS SLIGHTLY AUGMENTED BY TENSIONS IN GUATEMALA, AND THAT THEY DO NOT HAVE ANY MAJOR POLITICAL/MILITARY SIGNIFICANCE. (IN OTHER WORDS, NEITHER THE MIGRANT WORKERS NOR THE REFUGEES ARE BEING EXPLOITED IN ANY MEANINGFUL WAY BY GUATEMALAN INSURGENTS FOR SAFEHAVEN OR SDURCES OF SUPPLY.) TWO EMBASSY OFFICERS ARE CURRENTLY COMPLETING A FIELD TRIP WHICH COVERED THIS BORDER AREA. WE WILL SUBMIT THEIR SUPPLEMENTARY FINDINGS LATER THIS WEEK.

8. FURTHER EAST IN CHIAPAS, THE COMBINATION OF HEAVY JUNGLE AND MOUNTAINOUS TERRAIN MEANS THAT THE AREA IS VIRTUALLY INACCESSIBLE FROM THE MEXICAN SIDE. WE DO NOT DOUBT THAT THERE HAVE BEEN INCURSIONS INTO THE PICO DE ORO AREA IN SOUTHEAST CHIAPAS BY GUATEMALAN GUERRILLAS AND PURSUING CONTINGENTS OF GUAMEMALAN SECURITY FORCES. (OFFICIALS IN CIUDAD PEMEX CONFIRMED TO THE REPORTING OFFICER ON MARCH 23 THAT THE PEMEX EXPLORATION TEAM IN THIS REMOTE AREA WAS RECENTLY PULLED OUT. SUPPOSEDLY BECAUSE OF THE SECURITY RISKS.) AS FOR THE REMAINDER OF THE BORDER AREA (IN TABASCO, CAMPECHE, AND QUINTANA ROO). THIS POST HAS HEARD NO MORE THAN OCCASIONAL RUMORS THAT ARMS ARE CROSSING THE FRONTIER, WITHOUT ANY SPECIFICS. THE LONG AND HAZARDOUS HAUL THROUGH THE SWAMPS OF THE PETEN REGION OF GUATEMALA TO THE WESTERN GUATEMALAN AREAS OF GDG-GUERRILLA CONFRONTATION WOULD MAKE THIS

ROUTE A LESS LIKELY ONE FOR INSURGENT SUPPLIES THAN THE ROUTE THROUGH CHIAPAS. ON THE OTHER HAND, THE ROUTE WOULD BE LESS SUSCEPTIBLE TO OBSERVATION AND THEREFORE MORE SUITABLE FOR CLANDESTINE SHIPMENTS OF MILITARILY SIGNIFICANT PROPORTIONS.

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PAGE 01 MEXICO 04326 03 0F 03 302305Z ACTION SS-25

INFO DCT-00 ADS-00 \$50-00 /025 W

O 302253Z MAR 82
FM AMEMBASSY MEXICO
TO SECSTATE WASHOC IMMEDIATE 9296
INFO AMEMBASSY GUATEMALA PRIORITY
AMEMBASSY SAN SALVADOR PRIORITY

C O N F. I D E N T I A L SECTION 03 OF 03 MEXICO 04326

EXDIS

9. ROLE OF MEXICAN ARMY

AMEMBASSY TEGUCIGALPA PRIORITY

FROM THE ABOVE. IT IS CLEAR THAT THE GOM WOULD BE AT PAINS TO PUT A COMPLETE STOP TO ALL ILLEGAL SUPPORT TO CENTRAL AMERICAN INSURGENCIES FROM THE MEXICAN BORDER REGION. WHATEVER THE OFFICIAL POLICIES AND ATTITUDES OF THE MEN AT THE TOP. THE QUESTION REMAINS, ARE THE MEXICAN SECURITY FORCES DOING EVERYTHING THEY CAN TO CURTAIL SUCH SUPPORT? OUR ANSWER IS PROBABLY NOT. THE COMMENTS OF REFUGEE COORDINATOR ORTIZ MONASTERIOS TO THE REPORTING OFFICER ON MARCH 17 ARE ILLUSTRATIVE: "WE (THE GOM) ARE TRYING TO AVOID OVERREACTING TO THE SITUATION ON THE GUATEMALAN BORDER, SO WE DON'T CREATE MORE TENSIONS THAN ACTUALLY EXIST. " DESPITE THE CONCERN EXPRESSED PRIVATELY BY SECRETARY OF DEFENSE GALVAN TO DEFATT ABOUT THE SITUATION ON THE BORDER IN EARLY MARCH, GALVAN HAS BEEN SAYING TO OTHERS THAT THE BORDER AREA IS STABLE. ECHOING THISSLINE. TABASCO ZONE COMMANDER MURILLO TOLD COUNTRY DIRECTOR CRIGLER AND REPORTING OFFICER ON MARCH 23 THAT "YOU WILL SEE WITH YOUR OWN EYES THERE IS NOTHING HERE TO WORRY ABOUT. IN SHORT. THE SECURITY FORCES ARE GETTING POLITICAL DIRECTION TO "COOL IT." AS A RESULT. THE CONFIDENTIAL CONFIDENTIAL

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MILITARY IN THE AREA SEEM TO BE STAYING PRETTY MUCH IN THEIR GARRISONS. SEVERAL RECENT OBSERVERS HAVE SEEN NO SIGNS OF BORDER PATROL ACTIVITY.

10. WHILE THE MEXICAN ARMY APPEARS TO HAVE BEEN CAUTIOUS ABOUT POLICING THE BORDER AREA, WE HAVE NEVERTHELESS NOTED A CONTINUING IMPROVEMENT IN ITS CAPABILITY TO DO SO. UNITS OF REGIMENTAL/BATTALION SIZE HAVE BEEN ESTABLISHED IN COMITAN (SOUTHERN CHIAPAS), TENOSIQUE (EASTERN TABASCO) PAGE NO.

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AND ESCARCEGA (SOUTHERN COMPECHE) IN THE LAST TWO OR THREE YEARS. MANNING LEVELS OF ALL UNITS IN THE BORDER MILITARY ZONES ARE AT LEAST AT FULL STRENGTH AND POSSIBLY ABOVE. AND. AS HAS BEEN NOTED IN EARLIER REPORTING, THE PRI NOMINEE FOR GOVERNOR OF CHIAPAS (GENERAL CASTELLANOS) IS A HIGHLY RESPECTED FORMER 31ST MILITARY ZONE COMMANDER. (SEE ALSO SEPTEL ON SITUATION IN CHIAPAS BEING SENT BY DAD IN DEFENSE CHANNELS.)

11. PROJECTION

IN THE IMMEDIATE FUTURE, ANY SHIFT IN THE GOM'S CAUTIOUS AND AMBIGUOUS POLICY ON ASSISTANCE TO GUATEMALAN AND SALVADORAN INSURGENTS WILL DEPEND ON THE DIRECTION TAKEN BY THE NEW GUATEMALAN JUNTA AND ON POST-ELECTION DEVELOPMENTS IN EL SALVADOR. GIVEN MOVEMENT TOWARDS ACCOMMODATIONS WITH THE LEFT IN EITHER OR BOTH OF THESE COUNTRIES, THE GOM MAY BE MORE INCLINED TO REDUCE ITS SUPPORT FOR THE ACTIVITIES OF INSURGENT REPRESENTATIVES IN MEXICO CITY, AND/OR TO SHOW A FIRMER MILITARY HAND ON THE BORDER. EVEN IF THERE IS NO SUCH MOVEMENT IN THE NEXT FEW MONTHS IN CENTRAL AMERICA, WE HAVE REPORTED RECENT SIGNS THAT DE LA MADRIO MAY BE MORE CONSERVATIVE ABOUT ASSOCIATING THE GOM WITH CENTRAL AMERICAN RADICALS. (SEE MEXICO 3447.) CONFIDENTIAL

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HOWEVER, THERE SHOULD BE NO EXPECTATION THAT THE MAINSTREAM OF GOM/PRI THINKING WILL SHIFT MORE THAN A DEGREE OR
TWO TO THE RIGHT. IN HIS MOST RECENT FOREIGN POLICY REMARKS
(MARCH 26) DE LA MADRID STRESSED THAT MEXICAN FOREIGN POLICY
OBJECTIVES WILL NOT CHANGE. THUS, WE SHOULD NOT HARBOR THE
ILLUSION THAT MEXICAN COOPERATION WITH LEFTIST CAUSES IN
CENTRAL AMERICA, OR FOR THAT MATTER ELSEWHERE IN LATIN
AMERICA, IS MERELY A PASSING PHENDMENON THAT WE NEED NOT
CONTINUE TO BE CONCERNED ABOUT. WE ARE PLACING THIS
PHENOMENON IN PERSPECTIVE IN A SEPARATE REPORT TO BE
FORWARED SHORTLY ON HISTORICAL TRENDS IN MEXICAN FOREIGN
POLICY.

12. EMBASSY WOULD WELCOME COMMENTS OF INFO POSTS. (DRAFTER: T. S. WILKINSON) GAVIN

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MEXICO 10705 01 OF 02 062117Z PAGE 01

ACTION ARA-16

INFO OCT-00 COPY-01 ADS-00 AID-07 INR-10 EUR-12 SS-10 CIAE-00 EB-08 DODE-00 H-01 EXIM-06 NSC-01 NSCE-00 NSAE-00 COME-00 SSO-00 HA-08 L-03 LAB-04 PM-09 OPIC-07 PA-02 OMB-01 STR-14 SIL-01 INRE-00 FRB-01 JUS-01 ICAE-00 SP-02 SPRS-02 /127 W

O 062115Z AUG 82 FM AMEMBASSY MEXICO TO SECSTATE WASHDC IMMEDIATE 2273 INFO TREASURY WASHDC IMMEDIATE AMEMBASSY DUBLIN IMMEDIATE ALL USCONS MEXICO POUCH

UNCLAS SECTION 01 OF 02 MEXICO 10705

DUBLIN PLEASE PASS AMBASSADOR GAVIN DEPARTMENT PASS FEDERAL RESERVE BOARD

E.O. 12356: N/A

TAGS: EFIN, EGEN, MX, ALOW, AFIN, AFSP

SUBJECT: GOM ESTABLISHES DUAL PARITY SYSTEM; BANK

OF MEXICO WITHDRAWS FROM FOREIGN EXCHANGE

MARKET - AGAIN

REF: MEXICO 10658

1. BEGIN SUMMARY. AT A PRESS CONFERENCE AUGUST 5 TREASURY SECRETARY SILVA-HERZOG ANNOUNCED A NEW AND "TEMPORARY" DUAL EXCHANGE RATE SYSTEM. EFFECTIVE IMMEDIATELY, THERE WILL BE AN OFFICIAL OR "PREFERENTIAL" EXCHANGE RATE MANAGED BY THE BANK OF MEXICO OF BETWEEN 49-50 PESOS TO THE DOLLAR AT THIS TIME FOR THE IMPORT OF "BASIC GOODS" AND PAYMENT OF THE PUBLIC SECTOR'S DEBT. THE OTHER WILL BE A "GENERAL" OR "FREELY FLOATING" MARKET RATE FOR TOURISM AND IMPORTS OF UNCLASSIFIED

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SUPERFLUOUS GOODS. TO ESTABLISH THIS LATTER RATE THE BANK OF MEXICO HAS "WITHDRAWN FROM THE FOREIGN EXCHANGE MARKET." OPENING QUOTES FOR THE "GENERAL" RATE ON AUGUST 6 AT 10:30 A.M. FROM THE EMBASSY'S CITIBANK BRANCH WERE 65.73 PESOS TO THE DOLLAR FOR BUYING PESOS. FOLLOWING SILVA-HERZOG'S SPEECH, BANK OF MEXICO DIRECTOR GENERAL MANCERA READ HIS CIRCULAR TO ALL BANKS. THIS PROVIDED MORE DETAILED INFORMATION ON HOW THE DUAL SYSTEM WILL FUNCTION. AN UNOFFICIAL TRANSLATION OF THIS CIRCULAR WILL FOLLOW IMMEDIATELY BY SEPTEL. END SUMMARY.

- 2. TREASURY SECRETARY JESUS SILVA-HERZOG ADDRESSED THE NATION FROM THE OFFICES OF THE TREASURY IN THE NATIONAL PALACE AT 8:00 P.M. ON AUGUST 5. HE READ A PREPARED TEXT WHICH BEGAN WITH A REVIEW OF MEXICO'S LARGE-SCALE ENTRY INTO THE INTERNATIONAL CAPITAL MARKETS AND FOLLOWED WITH A DESCRIPTION OF THE CIRCUMSTANCES (OPEC BALANCE OF PAYMENTS REVERSAL PRIMARILY) WHICH LED TO A REVERSAL OF THE "PRIVILEGED POSITION WHICH MEXICO HAD" IN INTERNATIONAL CAPITAL MARKETS. HE SAID THESE CIRCUMSTANCES "LED TO THE DEVALUATION IN FEBRUARY" BUT THAT IT WAS "INSUFFICIENT TO CAUSE THE REQUIRED ADJUSTMENT OF THE MEXICAN ECONOMY."
- 3. BEFORE GOING INTO THE ACTUAL EVENTS WHICH PRECIPITATED THE DECISION TO ADOPT A DUAL PARITY SYSTEM, SILVA-HERZOG REVIEWED THE PROGRESS OF THE 17-POINT ADJUSTMENT PROGRAM. HE SAID THAT THERE WAS A SURPLUS IN THE TRADE BALANCE OF \$704 MILLION DURING THE FIRST HALF OF 1982, IN CONTRAST TO A \$1,202 MILLION DEFICIT IN THE SAME PERIOD OF 1981. HE SAID THE 1982 FIRST-HALF CURRENT ACCOUNT DEFICIT WAS \$4,208 MILLION, UNCLASSIFIED

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MORE OR LESS HALF OF THE \$8-9 BILLION DEFICIT FORECAST FOR 1982. HE REVISED THE CURRENT ACCOUNT DEFICIT FOR 1981 FROM THE \$11.7 BILLION ORIGINALLY PUBLISHED BY THE BANK OF MEXICO TO "ALMOST" \$13 BILLION."

4. THE PREFERENTIAL RATE: REGARDING THE PURPOSE OF HIS ADDRESS HE SAID THAT (BEGIN QUOTE) "UNDER EXISTING CIRCUMSTANCES, I.E., THE LIMITED AMOUNT OF INTERNATIONAL CREDIT AVAILABLE TO MEXICO, IT WAS IMPOSSIBLE TO FINANCE THE CURRENT ACCOUNT DEFICIT THE ECONOMY IS CURRENTLY GENERATING, WHICH HAD IN TURN BEEN TRANSLATED INTO A CONSIDERABLE DEMAND FOR FOREIGN EXCHANGE WITHIN MEXICO. SINCE THE EXCESSIVE DEMAND FOR FOREIGN EXCHANGE COULD NOT BE MATCHED WITH A SUPPLY OF EQUAL MAGNITUDE, THE EXCHANGE RATES CORRESPONDING TO THE CURRENT (RATES OF) SLIPPAGE WERE INDEFENSIBLE" (END OF QUOTE). HE NEXT DESCRIBED. THE "FORMULA" WHICH HAD BEEN ADOPTED "TO ATTEND TO THE HIGHEST PRIORITY REQUIREMENTS FOR FOREIGN EXCHANGE WITH A PREFERENTIAL EXCHANGE RATE." THIS, HE SAID "WOULD RESULT IN A CONTINUATION OF THE SLIPPAGE FOR THE PREFERENTIAL RATE WHICH WOULD BE ACCELERATED IF NECESSARY." THE PREFERENTIAL RATE WILL APPLY TO "THE IMPORTATION OF THE MOST INDISPENABLE GOODS, SUCH AS FOOD, SOME SUPPLIES REQUIRED FOR PRODUCTIVE ACTIVITIES AND CERTAIN CAPITAL GOODS. " ALSO THE PREFERENTIAL RATE WILL APPLY TO "OBLIGATIONS CORRESPONDING TO THE PUBLIC EXTERNAL DEBT, AS WELL AS THE OBLIGATIONS OF THE MEXICAN BANKING SYSTEM WHETHER THEY BE IN FAVOR OF NATIONALS OR FOREIGNERS."

5. THE GENERAL RATE: ALL OTHER TRANSACTIONS REQUIRING FOREIGN EXCHANGE WILL BE "AT AN EXCHANGE RATE WHICH RESULTS FROM AN INTERACTION OF SUPPLY AND DEMAND. THIS IMPLIES THAT THE BANK OF MEXICO WILL NOT INTERVENE

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O 062115Z AUG 82

FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 2274
INFO TREASURY WASHDC IMMEDIATE
AMEMBASSY DUBLIN IMMEDIATE
ALL USCONS MEXICO POUCH

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DUBLIN PLEASE PASS AMBASSADOR GAVIN DEPARTMENT PASS FEDERAL RESERVE BOARD

IN THIS MARKET AND THERE WILL BE MAINTAINED, INALTERABLY, FREE CONVERTIBILITY."

- 6. NEW SYSTEM TEMPORARY: SILVA-HERZOG SAID THAT THE DUAL EXCHANGE RATE SYSTEM WAS TEMPORARY: "THE SYSTEM WILL BE IN FORCE TEMPORARILY, UNTIL THE 17-POINT ADJUSTMENT PROGRAM PRODUCES ALL OF ITS EFFECTS. IT IS HOPED THAT, WHEN THIS IS ACCOMPLISHED, THERE WILL BE A CONVERGENCE OF THE TWO EXCHANGE RATES AND THUS IT WILL BE UNNECESSARY TO MAINTAIN TWO EXCHANGE MARKETS." HE ADDED THAT "IT IS NECESSARY TO NOTE THAT THE ANNOUNCEMENT (OF THE DUAL SYSTEM) WAS FORCED BY RECENT PRESSURES OF A HIGHLY SPECULATIVE CHARACTER ON THE FOREIGN EXCHANGE MARKET."
- 7. TRADE-RELATED MEASURES: SILVA-HERZOG ALSO ANNOUNCED

THAT THE GOM WILL ADOPT "MEASURES OF A COMPLEMENTARY UNCLASSIFIED

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CHARACTER" TO AVOID MALADJUSTMENT OF BOTH THE INTERNAL PRICES AND THE FINANCIAL SITUATION OF THE NATION'S COMPANIES." THE COMPANIES WILL BE HELPED THROUGH FISCAL MEASURES, THAT WILL TAKE INTO ACCOUNT INFLATION. ALSO, "TARIFFS WILL BE REDUCED WITH THE OBJECTIVE OF AVOIDING ADDITIONAL INFLATIONARY PRESSURES AND TO FACILITATE THE AVAILABILITY OF IMPORTED SUPPLIES." ALSO, "SOME FISCAL STIMULI FOR EXPORTS WILL BE ELIMINATED, THE NEW EXCHANGE CONDITIONS WILL MAKE SUCH COMPLEMENTARY SUPPORTS UNNECESSARY, WHICH IN ANY EVENT ARE OF CONSIDERABLE BUDGETARY COST AND ADD TO THE FEDERAL BUDGET DEFICIT."

"THE ONLY APPROPRIATE ALTERNATIVE": SILVA-HERZOG CLOSED HIS ADDRESS BY SAYING THAT "THE MEASURES WHICH HAVE BEEN ANNOUNCED WERE INSPIRED BY THE CONVICTION THAT THE INTERESTS OF THE NATION HAD TO BE PLACED BEFORE INDIVIDUAL INTERESTS, THEY ARE THE ONLY APPROPRIATE ALTERNATIVE IN THESE MOMENTS OF A HARD TEST. THE CURRENT CHALLENGES OUGHT TO SERVE TO CREATE NATIONAL UNITY". SILVA-HERZOG TOOK NO QUESTIONS FOLLOWING HIS SPEECH, WHICH WAS FOLLOWED IMMEDIATELY BY BANK OF MEXICO DIRECTOR GENERAL MIGUEL MANCERA (REPORTING SEPTEL). SILVA-HERZOG AND MANCERA WERE FLANKED BY REPRESENTATIVES OF THE PRIVATE AND PUBLIC SECTOR BANKS AND INDUSTRIAL FIRMS AND THE FULL ECONOMIC CABINET MADE A BRIEF APPEARANCE. DRAFTED BY B.J.GRIFFITHS. SHANKLE

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^{***} Current Handling Restrictions *** n/a

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O 102309Z AUG 82 FM AMEMBASSY MEXICO TO SECSTATE WASHDC IMMEDIATE 2384 INFO TREASURY WASHDC IMMEDIATE AMEMBASSY DUBLIN IMMEDIATE ALL USCONS MEXICO POUCH

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DEPARTMENT PASS FEDERAL RESERVE BOARD DEPARTMENT PASS EXPORT IMPORT BANK DUBLIN PLEASE PASS AMBASSADOR GAVIN

E.O. 12356: DGN: LI 8/9/88

TAGS: EFIN, EGEN, MX, AFIN, AFSP, ALOW

SUBJECT: REASONS FOR AND IMPLICATIONS OF DUAL EXCHANGE

RATE SYSTEM

2. SUMMARY. THE ESTABLISHMENT OF A DUAL EXCHANGE RATE SYSTEM AND THE ACCOMPANYING DEVALUATION OF THE PESO REFLECTS (1) THE INTERNATIONAL BANKING SYSTEM'S RELUCTANCE TO LEND TO MEXICO, (2) LACK OF CONFIDENCE IN GOVERNMENT, AND (3) (MORE IMMEDIATELY) THE INCREASE IN PRICES OF TORTILLAS, GASOLINE, ETC., ANNOUNCED AUGUST 1. THE DUAL EXCHANGE RATE SYSTEM IS A REACTION TO A CRISIS RATHER THAN A



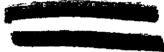
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CONCERTED AND THOUGHTFUL ACTION TO HEAD OFF A CRISIS. THE DECISION TO MAINTAIN INTERNATIONAL CREDIT STANDING RATHER THAN OPT FOR A "SIEGE ECONOMY" THAT WOULD INCLUDE A FORMAL DEBT RESCHEDULING IS ENCOURAGING. ALSO, THE APPARENT DECISION TO REMOVE EXPORT INCENTIVES WILL EASE OUR TRADE RELATIONS. WHILE AN EXCHANGE RATE DETERMINED BY MARKET FORCES AND FREE FROM CENTRAL BANK INTERVENTION MAY BE ENOUGH TO STOP THE FLIGHT FROM THE PESO, IT MAY NOT BY ITSELF INDUCE CAPITAL REFLOWS. THE PUBLIC MAY WELL VIEW THIS AS ANOTHER RATCHETING-UP OF THE INFLATIONARY SPIRAL THAT IS BEYOND THE CONTROL OF THE GOM OR

ITS INSTITUTIONS. THE MEXICAN CRISIS IS FAR FROM OVER, BUT THERE IS A VERY SLIGHT POSSIBILITY THAT THE MOST RECENT MEASURES COULD CONSTITUTE THE PEAK OF THE CRISIS. IF NOTHING ELSE, THIS CONTINUING CRISIS SHOULD CURE MEXICANS OF USING INFLATIONARY POLICIES TO STIMULATE GROWTH. END SUMMARY.

UNCLASSIFIED THE DUAL EXCHANGE SYSTEM/DEVALUATION IS IN SOME PART A RESULT OF THE INTERNATIONAL BANKERS' RELUCTANCE TO INCREASE LENDING TO MEXICO. MEANT THAT THE CURRENT ACCOUNT DEFICIT FORESEEN IN THE ADJUSTMENT PROGRAM OF APRIL 21 WAS NOT FINANCIABLE AND THAT ADDITIONAL MEASURES TO REDUCE THE EXTERNAL BORROWING REQUIREMENT WERE NECESSARY. MEXICANS PROBABLY WERE SENSING THIS AND ANTICIPATION OF ANOTHER DEVALUATION WAS GROWING. THE RUN FROM THE PESO THAT FORCED THE GOM'S HAND BEGAN FOLLOWING THE AUGUST 1 ANNOUNCEMENT OF PRICE INCREASES OF TORTILLAS, BREAD, GASOLINE AND ELECTRICITY. WHILE LEADERS OF VARIOUS SECTORS MADE FAVORABLE PUBLIC STATEMENTS, A NUMBER OF MEXICANS MUST HAVE BELIEVED



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THAT THE PRICE INCREASES WOULD SET OFF ANOTHER INFLATIONARY SPIRAL. FEW PEOPLE UNDERSTOOD THAT THESE PRICE INCREASES WERE PART OF THE APRIL 21 PROGRAM AND WERE INCLUDED IN THE FORECASTS OF A 60-65 PERCENT CONSUMER PRICE INDEX INCREASE DURING 1982. THE RESULT WAS A MORE OR LESS SILENT RUN ON THE BANKS. WE DID NOT GET REPORTS OF THIS RUN AS IT OCCURRED NOR DO WE KNOW WHO THE DOLLAR-BUYERS WERE. THIS MAY INDICATE THAT PEOPLE WERE ACTING INDIVIDUALLY AND NOT IN RESPONSE TO SPREADING RUMORS OF A DEVALUATION. THERE ARE NO DATA ON THE MAGNITUDE OF THE RUN, BUT IT MUST HAVE BEEN SIMILAR TO THAT PRIOR TO THE FEBRUARY DEVALUATION. AS THE PRESIDENT SAID, THE BANK OF MEXICO WAS CLOSE TO RUNNING OUT OF RESERVES.

- 4. ANOTHER FACTOR IS THE CONTINUING LACK OF CONFIDENCE ON THE PART OF MEXICANS IN THEIR LEADERS AND GOVERNMENT INSTITUTIONS. THIS IS HARD TO RECONCILE WITH THE LARGE VOTER TURNOUT AND SUPPORT FOR THE GOVERNMENT PARTY AT THE JULY 4 ELECTIONS. THE NEW DEVALUATION WILL FURTHER REDUCE PUBLIC CONFIDENCE IN THE GOVERNMENT. PUT ANOTHER WAY, THE GOM WOULD HAVE BEEN ABLE TO FINANCE AN \$8 BILLION CURRENT ACCOUNT DEFICIT THIS YEAR, BUT IT CANNOT FINANCE THIS, PLUS CAPITAL FLIGHTS THAT COULD REACH A SIMILAR MAGNITUDE.
- 5. FACED WITH THE PRESUMABLY IMMINENT EXHAUSTION OF FOREIGN EXCHANGE RESERVES, GOM FINANCIAL OFFICIALS OPTED FOR A DUAL EXCHANGE RATE SYSTEM THAT IS GEARED LARGELY TO PROTECT MEXICO'S RELATIONS WITH THE

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INTERNATIONAL BANKING SYSTEM. IN ORDER TO REDUCE THE BURDEN ON THE PUBLIC SECTOR BUDGET AND THE PRIVATE SECTOR, MOST INTEREST PAYMENTS WILL BE ELIGIBLE FOR TRANSFER AT THE PREFERENTIAL RATE. FOREIGN EXCHANGE BEING SOLD AT THIS RATE WILL COME

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O 102309Z AUG 82 FM AMEMBASSY MEXICO TO SECSTATE WASHDC IMMEDIATE 2385 INFO TREASURY WASHDC IMMEDIATE AMEMBASSY DUBLIN IMMEDIATE ALL USCONS MEXICO POUCH

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FROM PEMEX'S EXPORTS WHICH WILL BE \$14-15 BILLION
THIS YEAR. INTEREST PAYMENTS WILL BE OVER \$12
BILLION. THIS DOES NOT LEAVE MUCH ROOM FOR "PRIORITY"
IMPORTS. THE OTHER SOURCE OF FOREIGN EXCHANGE,
PUBLIC SECTOR EXTERNAL BORROWINGS, MAY NOT BE VERY
LARGE IN THE BALANCE OF THE YEAR. IN ANY CASE,
THE BULK OF THIS BORROWING WILL BE TO RENEW MATURING
DEBT. MEXICO'S PRIVATE SECTOR MUST BE GRATEFUL
FOR THE INCLUSION OF PRIVATE SECTOR INTEREST PAYMENTS
AT THE PREFERENTIAL RATE.

6. GOM OFFICIALS DO NOT BELIEVE THE PESO IS OVERVALUED IN TERMS OF PURCHASING POWER PARITY WHICH IS THE DOMINANT THEORY USED IN MEXICO TO EXPLAIN AND JUSTIFY CHANGES IN EXCHANGE RATES. THUS, THEY BELIEVE



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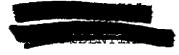
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THE 49 PESOS PER DOLLAR RATE IS APPROPRIATE AND PREFER TO IGNORE THE REDUCED ABILITY OR WILLINGNESS OF BANKS ET.AL. TO LEND TO MEXICO. AS ONE GOM FINANCIAL OFFICIAL TOLD THE WRITER AS WE WERE CHECKING ON QUOTES IN A BANK, "MEXICO MUST HAVE THE WORLD'S MOST UNDERVALUED CURRENCY." GOM OFFICIALS WERE RELUCTANT TO CHANGE THE RATE PER SE BECAUSE SUCH ACTION DID NOT SEEM JUSTIFIED BY THE ECONOMICS OF PURCHASING POWER PARITY.

7. THE DUAL EXCHANGE RATE SYSTEM IS PREFERABLE TO SOME OF THE ALTERNATIVES THAT MAY BEST BE DESCRIBED

AS VARIANTS OF A "SIEGE ECONOMY." THESE INCLUDE A FREEZING OF DOLLAR AND/OR PESO TIME DEPOSITS, A MORATORIUM ON PRINCIPAL REPAYMENTS, OR A BROADER USE OF EXCHANGE CONTROLS. NEVERTHELESS, THE DUAL EXCHANGE SYSTEM IS HARDLY ATTRACTIVE. IT IS A FORM OF EXCHANGE CONTROL. IT WILL, MORE LIKELY THAN NOT, AGGRAVATE MEXICO'S CORRUPTION PROBLEMS. ALSO, MAINTAINING A UNITARY RATE WOULD SHARE THE ADJUSTMENT BURDEN MORE EQUITABLY.

8. WE ARE STILL NOT CERTAIN HOW THE SYSTEM WILL WORK. THE PREFERENTIAL RATE CHANGED 4 CENTAVOS ON FRIDAY AND MONDAY. THIS RATE WILL BE CONTROLLED BY THE BANK OF MEXICO AND THE SLIDE IS LIKELY TO ACCELERATE. THE "COST" OF FEEDING DOLLARS TO THE PREFERENTIAL MARKET WILL BE BORNE BY PEMEX AND THE TREASURY. AS THE TAX RATE ON PEMEX'S FOREIGN EXCHANGE EARNINGS IS ROUGHLY 50 PERCENT, TREASURY WILL SHARE MORE OR LESS EQUALLY IN THE LOSS OF POTENTIAL PESO REVENUE. WE HAVE BEEN TOLD THAT PUBLIC SECTOR PRINCIPAL REPAYMENTS WILL BE MADE



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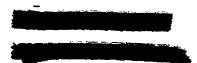
AT THE PREFERENTIAL RATE AND THAT PROCEEDS FROM PUBLIC SECTOR EXTERNAL BORROWING WILL BE CONVERTED TO PESOS AT THE PREFERENTIAL RATE. THE TREASURY HAS NEVER BEEN ABLE TO EXERCISE COMPLETE CONTROL OVER THE BORROWING ACTIVITIES OF PUBLIC SECTOR THE DUAL EXCHANGE RATE SYSTEM WILL OPEN UP NEW OPPORTUNITIES FOR ILLEGAL GAIN. THE NEW SYSTEM REQUIRES PRIVATE SECTOR EXTERNAL PRINCIPAL REPAYMENTS TO BE MADE AT THE "GENERAL" RATE. WILL ENCOURAGE THE MEXICAN BANKS AND PRIVATE FIRMS TO PETITION THEIR FOREIGN CREDITORS TO ROLL-OVER ALL MATURING DEBT. THE TECHNICAL REASON FOR DIVIDING TRANSACTIONS IN THIS WAY IS THEORETICALLY BECAUSE OF THE LIMITED AVAILABILITY OF FOREIGN EXCHANGE, BUT A RESULT IS TO ENCOURAGE AN INFORMAL MORATORIUM ON PRINCIPAL PAYMENTS. IF THE PRIVATE SECTOR WAS HARD PRESSED TO KEEP CURRENT AT 49:1, IT WILL BE IN MUCH WORSE SHAPE AT RATES IN EXCESS OF 70 PESOS PER DOLLAR. FURTHER, THE PRIVATE SECTOR IS LIKELY TO DELAY ALL INTEREST PAYMENTS UNTIL IT CAN BE DETERMINED WHETHER OR NOT SUCH PAYMENTS CAN BE MADE AT THE PREFERENTIAL RATE.

9. WE PRESUME THAT THE BANK OF MEXICO WILL NOT SUPPLY FOREIGN EXCHANGE
TO THE "GENERAL" MARKET,
BUT THAT IT WILL BUY FREIGN EXCHANGE FROM BANKS
WHEN THIS IS IN EXCESS SUPPLY. MEXICAN BANKS MAY
NOT BE ABLE TO RUN A TRULY FREE FOREIGN EXCHANGE
MARKET. THE BANK OF MEXICO HAS ALWAYS (EXCEPT
FOR A SHORT PERIOD IN 1976) BEEN THE FINAL PURCHASER



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OR SELLER OF FOREIGN EXCHANGE. FURTHER, BANKS ARE NOT PERMITTED TO TAKE A POSITION IN FOREIGN EXCHANGE. THIS PLUS A SMALLER VOLUME OF TRANSACTIONS MAY MAKE THE RATE FLUCTUATE SHARPLY IN THE GENERAL MARKET.



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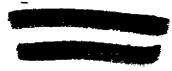
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O 102309Z AUG 82 FM AMEMBASSY MEXICO TO SECSTATE WASHDC IMMEDIATE 2386 INFO TREASURY WASHDC IMMEDIATE AMEMBASSY DUBLIN IMMEDIATE ALL USCONS MEXICO POUCH

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10. MEXICO'S ECONOMIC FUTURE--SPEAKING OF THE NEXT FEW MONTHS--IS VERY UNCERTAIN. WE SEE DEVELOPMENTS WITHIN A RANGE BETWEEN TWO SCENARIOS. THE FIRST AND OPTIMISTIC SCENARIO IS THAT CAPITAL FLIGHT CEASES, THERE IS NO GENERAL WAGE INCREASE, THE DECEMBER-DECEMBER CPI INCREASE IS 75 PERCENT RATHER THAN 65 PERCENT, AND THE YEAR-END EXCHANGE RATE IS 75 PESOS PER DOLLAR. THE SECOND AND MORE PESSIMISTIC SCENARIO IS THAT WAGES ARE INCREASED, PRICE INCREASES ACCELERATE, THE DEMAND FOR DOLLARS TO GET OUT OF PESOS IS STRONG CAUSING THE RATE TO DEPRECIATE TO 100:1 BY YEAR-END. THIS WOULD IMPLY A DECEMBER-DECEMBER CPI INCREASE OF ROUGHLY 85 PERCENT, WITH NO DECREASE IN INFLATION IN SIGHT.



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11. WE BELIEVE DEVELOPMENTS OVER THE BALANCE OF THIS YEAR WILL LEAD TO ECONOMIC RESULTS SOMEWHERE BETWEEN THOSE NOTED. AT THIS POINT IT IS IMPOSSIBLE TO PREDICT WHERE IN THE RANGE. IF A VOTE WERE TAKEN WE BELIEVE THE MORE PESSIMISTIC SCENARIO WOULD WIN. AT LEAST THIS IS HOW WE JUDGE THE PUBLIC MOOD. TO KEEP CLOSER TO THE OPTIMISTIC SCENARIO, THE GOVERNMENT WILL HAVE TO CONVINCE THE POPULATION AND INTERNATIONAL BANKERS THAT IT HAS A COHERENT ECONOMIC PACKAGE. ALSO, IT WILL HAVE TO MAKE PESO FINANCIAL ASSETS TRULY ATTRACTIVE. THIS MEANS NOT ONLY A COSTLY



DOLLAR (OR CHEAP PESO) BUT ALSO PESO DEPOSIT INTEREST RATES THAT ARE REAL. THE ONE TO TWO PERCENTAGE POINTS INCREASE IN PESO INTEREST RATES EFFECTIVE AUGUST 9 ARE NOT ADEQUATE. AN INCREASE OF TWENTY POINTS AT LEAST IS NECESSARY.

12. A FAILURE TO ACT MORE DECISIVELY WILL LEAD TO A CHAOTIC THREE AND A HALF MONTHS. THE PRESIDENT'S SATURDAY, AUGUST 7, PERFORMANCE (REPORTED SEPTEL) IS HARDLY ENCOURAGING. REASONS FOR HOPING (AND THAT IS THE APPROPRIATE WORD) THAT DEVELOPMENTS WILL TRACK THE MORE OPTIMISTIC SCENARIO INCLUDE THE FOLLOWING: (1) IF THE BANK OF MEXICO IS TRULY OUT OF THE MARKET, NO RESERVES WILL BE SPENT PROTECTING THE VALUE OF THE PESO; A "HIGH" RATE WILL REDUCE DEMAND FOR DOLLARS FOR CAPITAL FLIGHT; (2) UNEMPLOYMENT IS INCREASING WHICH SHOULD MAKE LABOR RELUCTANT TO PRESS FOR A GENERAL WAGE INCREASE; ALSO, THERE IS WIDESPREAD RECOGNITION THAT THE 10-20-30 PERCENT WAGE INCREASE GUIDELINES OF MID-MARCH WERE COUNTER-PRODUCTIVE; AND (3) THE CONSTRAINT IN AGGREGATE DEMAND EXISTING OVER RECENT MONTHS MAY CAUSE BUSINESSES.



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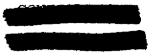
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BOTH LARGE AND SMALL, TO EXERCISE MORE RESTRAINT ON PRICE INCREASES THAN WAS THE CASE FOLLOWING THE INITIAL DEVALUATION IN MID-FEBRUARY.

- 13. THE DEMAND FOR CHANGE IS GROWING. LOPEZ PORTILLO RECOGNIZES THIS AND ADMITTED AS MUCH IN HIS AUGUST 7 REMARKS. DE LA MADRID WILL HAVE TO PROVIDE CHANGE OR AT LEAST THE IMPRESSION THEREOF. THIS IS UNFORTUNATE FOR PEOPLE SUCH AS SILVA-HERZOG AND MANCERA WHO ARE NOT TO BLAME FOR THIS CRISIS, BUT WILL PROBABLY HAVE TO BE SACRIFICED. THE NAMES OF POSSIBLE REPLACEMENTS THAT ONE HEARS ARE OF A CONSERVATIVE BENT, IN PARTICULAR EX-BANK OF MEXICO DIRECTOR GENERAL ERNESTO FERNANDEZ HURTADO WHO WAS KICKED OUT BY LOPEZ PORTILLO AND WHO IS A CLOSE RELATIVE OF MIGUEL DE LA MADRID HURTADO.
- 14. IF NOTHING ELSE, MEXICAN ECONOMIC DEVELOPMENTS THIS YEAR HAVE PROVED THE DANGER OF PURSUING INFLATIONARY POLICIES. LOPEZ PORTILLO ABONDONED THE EFFORTS TO REDUCE INFLATION TO U.S. LEVELS SOMETIME IN 1979. HE THOUGHT HE COULD INCREASE OUTPUT ENOUGH TO BRING INFLATION DOWN IN THE MEDIUM-TERM. THIS WAS PROBABLY NEVER A POSSIBILITY, BUT MADE EVEN LESS SO BY CHANGES IN THE WORLD ECONOMY. THE NEXT PRESIDENT IS GOING TO BE INCREASINGLY COMMITTED TO BRINGING INFLATION DOWN TO U.S. LEVELS. WHILE WE ARE GOING TO HEAR MANY PROPOSALS TO ACHIEVE THIS FROM BOTH THE LEFT AND THE RIGHT, WE BELIEVE THAT DE LA MADRID WILL ADOPT A CONSERVATIVE APPROACH.

15. THE DUAL EXCHANGE RATE SYSTEM WILL RESULT IN A LOWER-THAN-PROJECTED CURRENT ACCOUNT DEFICIT. THE DEMAND FOR FOREIGN EXCHANGE WILL SLOW. THE MUCH HIGHER EXCHANGE RATE, AT LEAST FOR THE MOMENT, WILL DISCOURAGE SPENDING FOR DISCRETIONAL INVISIBLES SUCH AS TOURISM. DEMAND FOR IMPORTS WILL BE REDUCED NOT



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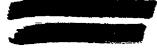
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O 102309Z AUG 82 FM AMEMBASSY MEXICO TO SECSTATE WASHDC IMMEDIATE 2387 INFO TREASURY WASHDC IMMEDIATE AMEMBASSY DUBLIN IMMEDIATE ALL USCONS MEXICO POUCH

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ONLY BY THE MORE EXPENSIVE DOLLAR BUT ALSO BY UNCERTAINTY AS TO WHICH COMMODITIES WILL BE ON THE PRIORITY LIST. THERE WILL BE AN INFORMAL MORATORIUM ON ALL DEBT SERVICE PAYMENTS UNTIL THE NEW SYSTEM IS CLARIFIED. PUBLIC SECTOR DEBT SERVICE SHOULD RESUME VERY QUICKLY, BUT IT WILL TAKE LONGER FOR THE PRIVATE SECTOR BECAUSE OF THE NEED TO REGISTER THE PRIVATE DEBT AND DETERMINE WHICH WILL BE ELIGIBLE FOR THE PREFERENTIAL RATE. THIS PROCESS WILL TAKE A MATTER OF WEEKS AND WE ARE FAIRLY CERTAIN THAT PRIVATE BORROWERS WILL ASK THEIR EXTERNAL CREDITORS TO BEAR WITH THEM UNTIL THE REGISTRATION IS SECURED. ALSO, PRINCIPAL REPAYMENTS ARE LIKELY TO BE DELAYED OR ROLLED-OVER. WE BELIEVE THE CURRENT ACCOUNT DEFICIT COULD DROP FROM \$8.0-8.5 BILLION TO \$7 BILLION OR LESS. ECONOMIC ACTIVITY



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IS ALSO LIKELY TO DECLINE. A ZERO OR NEGATIVE GROWTH RATE CANNOT BE RULED OUT.

16. THE MONETARY PHENOMENON SHOULD BE WATCHED. THE MEXICAN PRIVATE BANKS' LIABILITIES WERE SPLIT ROUGHTLY 60-40 BETWEEN PESO AND DOLLAR LIABILITIES PRIOR TO THIS DEVALUATION. NOW THEY WILL BE MUCH CLOSER TO 50-50. PUT ANOTHER WAY, THIS MEANS THAT THE MONETARY AGGREGATES WHICH INCLUDE DOLLAR-DENOMINATED LIABILITIES WILL INCREASE SHARPLY. WHILE THIS INVOLVES BALANCES OR STOCKS RATHER THAN FLOWS, WE SUSPECT

THAT THIS WILL ADD TO INFLATIONARY PRESSURES MORE
THAN WOULD BE THE CASE IN AN ECONOMY WITH LESS OF
A DUAL CURRENCY SYSTEM. THERE MAY BE OTHER ECONOMIES
WITH DUAL CURRENCY SYSTEMS, BUT WE VERY MUCH DOUBT
IF ANY HAVE HAD TO ADJUST THEIR OWN CURRENCY VIS
A VIS THE OTHER CURRENCY TO THE SAME DEGREE AS MEXICO
HAS DONE THIS YEAR. AT A RATE OF 75:1, THE PESO
HAS BEEN DEVALUED BY 65 PERCENT SINCE THE BEGINNING
OF THE YEAR. DRAFTED BY L.P.PASCOE. SHANKLE

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*** Current Handling Restrictions *** n/a

*** Current Classification ***



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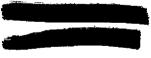
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TAGS: PINT, MX

SUBJECT: POLITICAL REACTIONS TO LATEST MEXICAN DEVALUATION

REF: (A) MEXICO 10799, (B) MEXICO 10909

- 1. BEGIN SUMMARY: PRESIDENT LOPEZ PORTILLO'S WEEKEND EXPLANATION FOR THE AUGUST 5 DEVALUATION FELL SHORT OF RESTORING PUBLIC CONFIDENCE IN THE GOM. NEVERTHELESS, LABOR REMAINS CALM. IN FORTHCOMING WEEKS, MUCH WILL DEPEND ON THE ABILITY OF CTM PRESIDENT FIDEL VELAZQUEZ TO KEEP WAGE DEMANDS IN CHECK, AT LEAST UNTIL THE FULL IMPACT OF AUSTERITY BECOMES CLEARER, AND ON THE PRIVATE SECTOR'S RESPONSE TO COMMERCE SECRETARY DE LA VEGA'S CALL FOR PRICE RESTRAINT. THE DEVALUATION BROUGHT EXPECTED CRITICISM FROM ALL THE OPPOSITION PARTIES, AND HAS LED SOME LEFTIST PARTIES TO CALL FOR GREATER LEFTIST UNITY. END SUMMARY.
- 2. FLANKED BY HIS CABINET AND KEY MEMBERS OF THE PRIVATE SECTOR AND THE MEDIA, LOPEZ PORTILLO ADDRESSED



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MEXICANS ON TV ON AUGUST 7 TO EXPLAIN THE COUNTRY'S SECOND MAJOR DEVALUATION IN SIX MONTHS (REF A). THE PRESIDENT'S APPEARANCE IN THIS MANNER CLEARLY RESPONDED TO ADVICE THAT SOME DRAMATIC STEP WAS NEEDED TO RESTORE THE PUBLIC'S SLIPPING CONFIDENCE IN GOVERNMENT. THE SPEECH FELL SHORT OF ITS DESIRED IMPACT. PUBLIC REACTIONS CONTINUE TO SHOW DISENCHANTMENT, ANGER, AND FRUSTRATION. IN PRIVATE CONVERSATIONS, WE HAVE EVEN HEARD ILL-CONSIDERED (AND CONSTITUTIONALLY IMPOSSIBLE) SUGGESTIONS THAT THE PRESIDENT SHOULD RESIGN AND TURN THE REINS GOVERNMENT OVER TO DE LA MADRID BEFORE HIS TERM ENDS DECEMBER 1.

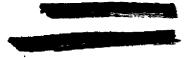
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- 3. IN THESE CIRCUMSTANCES, LOPEZ PORTILLO'S ONLY SAVING GRACE MAY BE THAT HE IS SEEN BY SOME TO BE TAKING THE HEAT FOR DRASTIC ECONOMIC SOLUTIONS IN ORDER TO FACILITATE (SOMEWHAT) DE LA MADRID'S TRANSITION, AND INSTILL HOPE THAT "THINGS WILL BE BETTER IN THE NEXT SEXENNIO." LOPEZ PORTILLO HIMSELF STATED THAT HE IS ATTEMPTING TO DO WHAT IS BEST SO THAT DE LA MADRID SHOULD NOT BE FACED WITH TOO MANY PROBLEMS. WE ARE NOT YET CERTAIN THAT, IN THE FOUR MONTHS BEFORE INAUGURATION, THE MERE PROSPECT OF A CHANGE IN THE PRESIDENCY WILL BE ENOUGH TO MAINTAIN DOMESTIC TRANQUILITY, ESPECIALLY IF THE SITUATION CONTINUES TO DETERIORATE, BUT AS OF NOW WE ARE NOT AWARE OF ANY DISTURBANCES, AND THE COUNTRY, BOTH IN URBAN AND RURAL AREAS, APPEARS CALM.
- 4. ONE KEY STABILIZING FACTOR IN THE SENSE OF DISCIPLINE THAT STILL PREVAILS IS THE INFLUENCE OF THE PRI, WHICH HAS INCREASINGLY COME UNDER DE LA MADRID'S CONTROL (IN CONTRAST TO EARLIER TRANSITION PERIODS, WHEN THE INCUMBENTS HELD THE REINS TO THE END). DLM TOOK OVER



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DE FACTO CONTROL WHEN JLP ALLOWED HIM TO SUPERVISE NOMINATION OF SENATE AND CHAMBER OF DEPUTY CANDIDATES FOR THE JULY 4 ELECTIONS. DLM HAS ALREADY NAMED THE NEXT LEADERS OF THE SENATE AND CHAMBER OF DEPUTIES AS WELL AS THE NEXT GOVERNOR OF TABASCO. IN ADDITION TO THIS AND NORMAL PARTY DISCIPLINE, HE RETAINS THE LEVERAGE OF CONTROLLING FUTURE APPOINTMENTS TO CABINET AND SUBCABINET POSITIONS. THUS THE PRI HIERARCHY CAN BE EXPECTED TO SPEAK WITH ONE VOICE UNDER DLM'S DIRECTION; TO DEFEND THE GOVERNMENT'S DECISIONS, BE THEY RIGHT OR WRONG; AND TO ENCOURAGE SIMILAR STATEMENTS OF SUPPORT FROM LEADERS OF OTHER SECTORS WHO ARE IN ONE WAY OR ANOTHER BEHOLDEN TO THE PRI AND GOVERNMENT. (THIS IN PART MAY EXPLAIN THE RASH OF PUBLIC STATEMENTS LAST WEEK IN SUPPORT OF RISES IN SUBSIDIZED PRICES, AT THE SAME TIME AS A SILENT RUN ON THE PESO WAS GOING ON. SEE REF B.)

5. EQUALLY CRITICAL FOR CONTINUED CALM WILL BE THE ATTITUDE OF THE LABOR MOVEMENT, AND PARTICULARLY THE. ROLE OF FIDEL VELAZQUEZ, PRESIDENT OF THE CONFEDERATION OF MEXICAN WORKERS (CTM). PRIVATELY, FIDEL ASSURED AIFLD REP AND OTHERS JUST BEFORE DEVALUATION THAT HE HAD BEEN CONSULTED ON ALL STEPS OF THE GOVERNMENT'S AUSTERITY PROGRAM. LABOR, HE SAID, WOULD EXPECT RESTITUTION OF ITS LOSS OF PURCHASING POWER, BUT WOULD MAKE NO DEMANDS UNTIL THE ENTIRE PROGRAM HAD BEEN PUT INTO EFFECT. IN PUBLIC STATEMENTS SINCE THEN, FIDEL HAS ATTEMPTED TO SOUND SOMEWHAT MORE SYMPATHETIC TO HIS CONSTITUENCY. ON AUGUST 5 HE STATED THAT LABOR WOULD NOT SEEK SALARY INCREASES IF AT THE SAME TIME PRE-



AUGUST 1 PRICES OF TORTILLAS, BREAD, GASOLINE, ETC. WERE RESTORED, AND OTHER BASIC PRICES WERE FROZEN. FURTHERMORE, VELAZQUEZ STATED THAT ALL MEMBER UNIONS OF THE CTM WOULD ABSTAIN FROM SEEKING WAGE INCREASES



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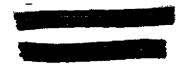
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UNLESS THE LABOR CONGRESS DECIDES OTHERWISE. HE ADDED, HOWEVER, THAT ALL UNIONS AFFILIATED TO THE CTM SHOULD EVENTUALLY PREPARE THEIR DEMANDS FOR SALARY INCREASES ON THE BASIS OF THE PERCENTAGE OF LOSS OF THEIR WORKERS' BUYING POWER. AT THE SAME TIME, FIDEL REITERATED SUPPORT OF THE MEASURES UNDERTAKEN BY THE GOVERNMENT TO DATE, INCLUDING DEVALUATION BECAUSE, AS HE SAID, THEY ARE "CORRECT."

6. WITH LABOR RESTRAINT PROMISED, AS LONG AS FIDEL EXERCISES FIRM CONTROL, THE QUESTION REMAINS HOW MUCH RESTRAINT CAN BE EXPECTED FROM THE PRIVATE SECTOR IN PRICES. SCARE HEADLINES OF SCATTERED DOUBLING OR TRIPLING OF PRICES OF COMMODITIES WITH HIGH IMPORT CONTENT WERE SEEN IN AUGUST 9 AND 10 NEWSPAPERS, BUT THESE ARE NOT INDICATIVE OF GENERAL PRICE LEVELS. SECRETARY OF COMMERCE DE LA VEGA ANNOUNCED AUGUST 9, AFTER MEETING WITH PRIVATE SECTOR LEADERS, THAT HE ADVOCATES THE CONTINUATION OF CURRENT PRICE CONTROLS ON BASIC COMMODITIES. THE PRIVATE SECTOR REMAINS EXTREMELY CONCERNED ABOUT PRICE CONTROLS, WHILE FACED WITH RISING COSTS.

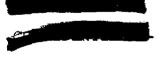


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IN CONTRAST TO THE PRI AND KEY SECTOR LEADERS, THE OPPOSITION HAS FELT NO CONSTRAINTS ON ITS REACTION. BOTH PAN AND THE PARTIES OF THE LEFT HAMMERED ON THE THEMES THAT THE DEVALUATION WOULD NOT SOLVE THE COUNTRY'S ECONOMIC PROBLEMS AND THAT THE PEOPLE ARE BEING FORCED TO PAY FOR THE MISTAKES OF THE GOVERNMENT. PAN STATED THAT THE DEVALUATION WILL HURT THE AVERAGE PERSON AND THAT THE COUNTRY'S LEADERS SACRIFICED THE NATIONAL INTEREST TO PROTECT THEIR OWN. PSUM, WARNING OF THE NEED TO PREVENT FURTHER CAPITAL FLIGHT AND SPECULATION IN DOLLARS, CALLED FOR TIGHTER EXCHANGE CONTROLS: THE PDM STATED THAT THE ABUSE OF POWER ON THE PART OF THE GOVERNMENT CREATED A CRISIS, FROM WHICH NOW THERE IS NO WAY OUT. HEBERTO CASTILLO, PRESIDENT OF THE PMT (PARTIDO MEXICANO DE LOS TRABAJADORES) STATED THAT IN THE FACE OF THE CURRENT ECONOMIC SITUATION IT IS URGENT THAT THE LEFT UNIFY, OR FAILING THAT, THAT IT AT LEAST UNDERTAKE JOINT EFFORTS AIMED AT "DIRECTING THE POPULACE AGAINST THE NATIONAL POLITICAL ECONOMY." HE ALSO SAID THAT THE PMT HAS MADE OVERTURES TO THE PSUM CONCERNING POSSIBLE UNIFICATION, BUT THAT HE IS STILL AWAITING A RESPONSE. IN A SEPARATE BUT RELATED DEVELOPMENT, PEDRO PENALOZA, MEMBER OF THE POLITICAL BOARD OF THE PRT (PARTIDO REVOLUCIONARIO DE LOS TRABAJADORES) STATED THAT INSPITE OF THE DIVISIONS THAT CHARACTERIZE THE LEFT, THE PRT WOULD CONTINUE ITS CALL FOR UNITY OF LEFTIST FORCES IN ORDER TO CONFRONT THE GOVERNMENT.

8. COMMENT: THE LAST FEW DAYS HAVE BEEN SOBERING FOR MEXICO. MEXICO'S SECOND 1982 DEVALUATION HAS FURTHER ERODED LOPEZ PORTILLO'S ALREADY TARNISHED PRESTIGE. HIS WEEKEND TV APPEARANCE WAS INTENDED TO SHOW OUTWARD



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UNITY UNDER HIS CONTINUING LEADERSHIP, BUT PRIVATE REACTIONS SHOW THAT HIS CREDIBILITY HAS REACHED A NEW LOW. THE TASK OF MAINTAINING DISCIPLINE THROUGH THE PRI IS PASSING INCREASINGLY TO DE LA MADRID. THE QUESTION FOR THE NEXT FOUR MONTHS IS WHETHER "AUTHORITY" IN MEXICO--JLP'S GOVERNMENT, DE LA MADRID AND THE PRI, FIDEL VELAZQUEZ, AND KEY LEADERS OF THE PRIVATE SECTOR--CAN SUCCEED IN IMPOSING REAL AUSTERITY, WHICH WILL MEAN LOST PURCHASING POWER FOR WORKERS AND NO DOUBT A NUMBER OF BUSINESS FAILURES. IF THEY CAN, DE LA MADRID WILL BEGIN HIS ADMINISTRATION ON AN UPSWING. IF NOT, DE LA MADRID WILL INHERIT CHAOS AND WILL HAVE TO INSTITUTE

MORE DRASTIC MEASURES THAN JLP

HAS TAKEN TO DATE. THE

CONSEQUENCE COULD BE THE SEVEREST TEST THAT THE PRI AND THE MEXICAN GOVERNMENT SYSTEM HAS HAD TO FACE TO DATE. (DRAFTED: ROMAN POPADIUK/GABRIEL GUERRA-MONDRAGON/THEODORE S. WILKINSON) SHANKLE

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UNCLAS MEXICO 11243

DEPARTMENT PASS TO FEDERAL RESERVE BOARD, COMMERCE AND EXPORT IMPORT BANK

E.O. 12356: N/A

TAGS: EFIN, EGEN, MX

SUBJECT: FINANCIAL NEWS SUMMARY, AUGUST 17, 1982

1. THIS IS THE FIRST OF A DAILY SERIES OF CABLE REPORTS SUMMARIZING THE MOST SIGNIFICANT FINANCIAL AND RELATED STORIES IN MEXICO CITY'S DAILY PRESS.

2. EL FINANCIERO (FINANCIAL DAILY) PAGE 1 HEADLÎNE IS "IMF SUPPORT: REMOTE AND SMALL." BASED ON A REUTERS REPORT, THE PAPER REPORTS THAT EUROPEAN BANKERS CONSIDER IMF SUPPORT "DIFFICULT" FOR MEXICO TO OBTAIN IN THE SHORT TERM DUE TO MEXICO'S LARGE EXTERNAL DEBT. THE ARTICLE ALSO CITES THE WALL STREET JOURNAL STORY NOTING THAT MEXICAN CONTACTS WITH THE IMF ARE "AGAINST THE WILL OF JLP, WHO HAS PERSONAL REASONS FOR AVOIDING THIS TYPE OF AGREEMENT." UNCLASSIFIED

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OTHER ARTICLES:

PAGE 1. BLACK MARKET PRICE FOR DOLLARS AT 100 TO 1.

PAGE 10. PERSISTENT UNCERTAINTY DUE TO LACK OF OFFICIAL INFORMATION.

3. UNO MAS UNO (LEFTIST NATIONALISTIC) PAGE 1 HEADLINE STATES, "MEXICO NEGOTIATES SUPPORT FROM THE IMF, LP HAS NOT DECIDED." THE ARTICLE REPORTS THAT \$4.1 BILLION

COULD BE AVAILABLE OVER 3 YEARS. ALSO REPORTS ON CONDITIONS OF AN IMF PROGRAM INCLUDING "DRASTIC BUDGET CUTS" AND A "LIMIT ON NEW EXTERNAL DEBT". ALSO REPORTS THAT INDUSTRIALISTS ARE DEMANDING A RENEGOTIATION OF THEIR DEBT AND BROADER ACCESS TO THE EXCHANGE MARKET FOR DOLLARS.

-- OTHER ARTICLES:

- PAGE 8. REPORTS THAT MONDAY THERE WAS AN INCREASE IN REQUESTS TO WITHDRAW SAVINGS DEPOSITS AND TIME DEPOSITS NOT ONLY IN DOLLARS BUT ALSO IN PESOS.
- 4. EL HERALDO: (CONSERVATIVE) PAGE 1 HEADLINE IS "MEXICO NEEDS TO RESORT TO IMF TO SOLVE ITS CRISIS." REPORTS INNUMERABLE ACCOUNT HOLDERS TRIED TO WITHDRAW THEIR MONEY BUT IN MANY CASES WERE UNABLE TO DO SO BECAUSE OF THE REFUSAL OF BANK EMPLOYEES WHO CLAIMED THEY DID NOT HAVE THE FUNDS.

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- 5. EXCELSIOR (LEFTIST, NATIONALISTIC) THE FOLLOWING ARTICLES WERE ALL ON PAGE 1:
- -- REPEATS NEW YORK TIMES ARTICLE BY CLYDE FARNSWORTH ENTITLED "MEXICO TAKES STEPS TO OBTAIN IMF CREDIT."
- -- REPEATS OTHER STORIES THAT MANY PEOPLE HAVE DECIDED TO WITHDRAW THEIR DEPOSITS IN BOTH NATIONAL AND FOREIGN CURRENCY BECAUSE OF THE DISORIENTATION AND CONFUSION.
- -- UNDER A COMMON HEADLINE: "INDUSTRY WILL HAVE TO RENEGOTIATE ITS DEBTS", THERE ARE TWO STORIES. ONE STORY REPORTS THE COMMENTS OF THE HEAD OF THE BUSINESS GROUP CONACINTRA, WHO SAID THAT CREDIT INSTITUTIONS, BOTH DOMESTIC AND FOREIGN, WILL HAVE TO ACCEPT A RENEGOTIATION OF PESO AND EXTERNAL DEBT OF THE PRIVATE SECTOR. HE ALSO SAID THAT NATIONAL PRODUCTION WOULD BE PARALIZED IF THE RULES FOR ACCESS TO THE PREFERENTIAL EXCHANGE RATE WERE NOT ANNOUNCED SOON. THE SECOND STORY SAID THAT "WHATEVER AGREEMENT THE GOM MAKES WITH THE IMF, THE PPS (POPULAR SOCIALIST PARTY) AND PSUM (COALITION INCLUDING THE COMMUNIST PARTY) WILL BE AGAINST IT.
- 6. NOVEDADES (MODERATE); PAGE 1 HEADLINE STATES:
 "MEXICO REQUESTS SUPPORT FROM THE IMF." STORY REPORTS
 THAT "MEXICO DECIDED LAST NIGHT TO REQUEST IMF SUPPORT
 TO SOLVE, IN THE IMMEDIATE TERM, ITS BALANCE OF PAYMENTS
 PROBLEMS." THE ARTICLE ALSO SAYS THAT THE EXCHANGE
 MARKETS WILL OPEN IN "ONE OR TWO DAYS" AND THAT "AT ANY

MOMENT TREASURY SECRETARY SILVA-HERZOG WILL ANNOUNCE A
NEW PACKAGE OF ANTI-INFLATIONARY MEASURES AND SUPPORT
FOR SMALL- AND MEDIUM-SIZED BUSINESSES. "THE ARTICLE
GOES ON TO SAY "ON THE OTHER HAND, (EVENTS OF) YESTERDAY
APPEARED TO CONFIRM THAT OUR COUNTRY IS DISPOSED TO
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STUDY AN EVENTUAL RESTRUCTURING OF EXTERNAL DEBT. DRAFTED BY B.J.GRIFFITHS. GAVIN

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UNCLAS MEXICO 11338

DEPARTMENT PASS IMMEDIATE TO FEDERAL RESERVE BOARD, COMMERCE AND EXPORT IMPDRT BANK

E.O. 12356: N/A

TAGS: EFIN, EGEN, MX

SUBJECT: FINANCIAL NEWS SUMMARY, AUGUST 18, 1982

REF: MEXICO 11243

- 1. THIS IS THE SECOND OF A DAILY SERIES OF CABLE REPORTS SUMMARIZING THE MOST SIGNIFICANT FINANCIAL AND RELATED STORIES IN MEXICO CITY'S DAILY PRESS.
- 2. ALL THE MAJOR NEWSPAPERS IN MEXICO CITY GAVE BANNER HEADLINES TO SILVA-HERZOG'S LIVE TELEVISION SPEECH LAST NIGHT. A BRIEF DESCRIPTION OF THESE AND RELATED STORIES IS REPORTED BELOW, CATEGORIZED BY PROMINANT MEXICAN DAILIES.
- 3. EL FINANCIERO (FINANCIAL DAILY) CARRIED THE FOLLOWING HEADLINE ON PAGE 1: REACTION TO IMF INTERVENTION UNCLASSIFIED

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RANGES FROM REJECTION TO RESIGNATION. THIS ARTICLE EMPHASIZED THE LABOR MOVEMENT'S OPEN HOSTILITY TO IMF FINANCIAL SUPPORT. FEARING THE TOUGH AUSTERITY MEASURES THAT WOULD ACCOMPANY SUCH SUPPORT, ORGANIZED LABOR TENDS TO VIEW THE IMF AS AN "IMPERIALISTIC ORGANISM THAT WORKS AGAINST THE INTEREST OF WORKING CLASSES." THE UNIVERSITY COMMUNITY ADOPTED A MORE MODERATE LINE CHARACTERIZING IMF ASSISTANCE AS "PAINFUL BUT NECESSARY." THE ARTICLE ALSO SAYS MANY BUSINESSMEN HAVE NOTED THAT IMF NEGOTIATIONSARE THE GOVERNMENT'S RESPONSIBILITY AND THE PRIVATE SECTOR ISLVED

ONLY AT THE MARGIN. ANOTHER HEADLINE ON PAGE 1
ANNOUNCED THE REOPENING OF THE EXCHANGE MARKET TOMORROW.
FEW DETAILS WERE CITED BECAUSE THE GOVERNMENT DECREES
REGULARIZING THIS MARKET WILL NOT BE PUBLISHED UNTIL
LATER TODAY.

- 4. UNO MAS UNO (LEFTIST NATIONALISTIC): CARRIED A PAGE 1 HEADLINE ON BUSINESS SUPPORT FOR THE NEW GOVERNMENT MEASURES. IN AN ARTICLE ENTITLED "CANACINTRA: FIRM AND CONFIDENT", THE PRESIDENT OF THIS KEY INDUSTRIAL GROUPING IS QUOTED AS BEING CONVINCED SILVA-HERZOG'S MEASURES WILL RESTORE CONFIDENCE AND OPTIMISM TO THE AILING ECONOMY. NEVERTHELESS, THIS SAME ARTICLE POINTS OUT THE APPARENT IMPLACABLE LABOR OPPOSITION TO IMFINTERVENTION.
- 5. HERALDO (CONSERVATIVE) HAD THE FOLLOWING PAGE 1
 HEADLINE: "THE PROBLEM IS SERIOUS, BUT THE FUTURE
 SHOULD BE VIEWED WITH OPTIMISM." THIS ARTICLE DESCRIBED
 SILVA-HERZOG'S SPEECH IN DETAIL. THE EDITORIAL
 CARTOON ON PAGE 7 SHOWED SILVA-HERZOG TRYING TO
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UNEARTH WITH A SMALL SHOVEL A LANDMINE LABELED FINANCIAL CRISIS. AN ACCOMPANYING EDITORIAL HEADLINE STATED .
"THE IMPOVERISHMENT OF A COUNTRY AND UNHAPPINESS OF A PEOPLE."

- 6. NOVEDADES (MODERATE) HEADLINE ON PAGE 1 STATES "HELP FROM IMF IS HEALTHY, COMMENTS THE PRIVATE SECTOR," AND "EXCHANGE MARKET WILL OPEN TOMORROW: 3 EXCHANGE RATES." THE LEAD ARTICLE ABOUT THE IMF UNDERSCORED BUSINESS SUPPORT FOR THE ECONOMIC DECISIONS THE GOVERNMENT IS MAKING. AN ACCOMPANYING STORY PRAISED SILVA-HERZOG FOR PRESENTING THE FACTS WITH "CLARITY" AND CANDOR. AN ARTICLE ON NEW EXCHANGE RATE SAID SUCH MEASURES ARE NECESSARY TO SOLVE CURRENT ECONOMIC CRISIS.
- 7. EXCELSIOR (LEFTIST, NATIONALISTIC): HEADLINED
 "FIRST: NATIONAL LIQUIDITY." THIS ARTICLE AFFIRMED
 BUSINESS SUPPORT FOR AN IMF AGREEMENT WHICH WOULD ALSO
 HELP THE PRIVATE SECTOR RENEGOTIATE ITS EXTERNAL DEBT.
 LEADERS OF THE MAJOR LABOR UNION, THE CTABOR
 CONGRESS, DIRECTED MOST OF THEIR IMMEDIATE REMARKS TO
 THE MEASURES FOR THE PRIVATE SECTOR ANNOUNCED BY
 SILVA-HERZOG. THEY SAID THEY WOULD WEIGH THE MEASURES
 BUT WERE AGAINST DISCRIMINATION IN FAVOR OF THE
 PRIVATE SECTOR. THEY ADDED THAT "TO THE EXTENT
 POSSIBLE THE GOVERNMENT SHOULD AVOID GOING TO THE
 IMF." HOWEVER, THEY WENT ON TO VOICE SUPPORT AND
 SOLIDARITY IN THE FACE OF CURRENT ECONOMIC PROBLEMS.
 AN ACCOMPANYING ARTICLE ALSO APPEARED ON THE NEW
 EXCHANGE RATE POLICY ENTITLED: "FINANCE MINISTRY

ANNOUNCES EXCHANGE MARKET REOPENS TOMORROW."
(DRAFTED BY:DDUDLEY/GMONTEL) GAVIN

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- *** Current Handling Restrictions *** n/a
 *** Current Classification *** UNCLASSIFIED
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UNCLAS SECTION 01 OF 05 MEXICO 11447

E.O. 12356: N/A

TAGS: EFIN, EGEN, MX

ALL USCONS MEXICO POUCH

SUBJECT: MEXICAN DECREE ON RULES PERTINANT TO REQUESTS FOR FOREIGN EXCHANGE AT THE

-- SPECIAL RATES OF EXCHANGE.

REF: MEXICO 11322

1. THIS CABLE TRANSMITS EMBASSY TRANSLATION OF THE SUBJECT DECREE. A SECOND DECREE, DEALING WITH THE EXCHANGE RATE FOR CONVERSION OF DOLLAR LIABILITIES UNCLASSIFIED

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TO PESOS IS BEING TRANSMITTED SEPARATELY.

2. BEGIN TRANSLATION. JOSE LOPEZ PORTILLO, CONSTITUTIONAL PRESIDENT OF THE UNITED MEXICAN STATES, IN EXERCISE OF THE RIGHT CONFERRED UPON ME BY SECTION I OF ARTICLE 89 OF THE POLITICAL CONSTITUTION OF THE UNITED MEXICAN STATES, AND WITH BASIS IN THE ARTICLES 10, SECTION II AND 30 OF THE REGLAMENTARY LAW OF THE SECOND PARAGRAPH OF ARTICLE 131 OF THE POLITICAL CONSTITUTION OF THE UNITED MEXICAN STATES; 90 OF THE LAW ON ATTRIBUTIONS OF THE FEDERAL EXECUTIVE

in economic Matters; 50., 90., 31, 34 and 51 OF THE ORGANIC LAW OF THE PUBLIC FEDERAL ADMINISTRATION; 40. SECTION IV 23, 27, AND 28 OF THE GENERAL LAW OF THE PUBLIC DEBT; 24 AND 43 OF THE ORGANIC LAW OF THE BANK OF MEXICO; 10. OF THE ORGANIC LAW OF THE DEPARTMENT OF THE FEDERAL DISTRICT. AND CONSIDERING:

-- THAT OUR COUNTRY CURRENTLY FACES GRAVE PROBLEMS BASICALLY OF A FINANCIAL NATURE, AMONG OTHER CAUSES, BECAUSE OF AN IMPORTANT CONTRACTION IN THE MARKETS FOR OUR PRINCIPAL EXPORT PRODUCTS INCLUDING PETROLEUM, AND BECAUSE OF THE LIMITED AVAILABILITY AND HIGHER COST OF EXTERNAL CREDIT; -- THAT THIS SITUATION AND PARTICULARLY THE EXISTING ADVERSE CIRCUMSTANCES RELATIVE TO OBTAINING INTERNATIONAL CREDIT FOR THE COUNTRY, PRESENTS SIGNIFICANT LIMITATIONS FOR THE FINANCING OF THE CURRENT ACCOUNT DEFICIT THAT THE MEXICAN ECONOMY IS CURRENTLY GENERATING THAT TRANSLATES INTO CONSIDERABLE DEMAND IN THE NATIONAL FOREIGN EXCHANGE MARKET;

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-- THAT FOR THESE PURPOSES IT IS NECESSARY FOR THE NATIONAL INTEREST THAT THE INFLUX OF FOREIGN EXCHANGE DERIVED FROM PETROLEUM EXPORTS AND ARISING FROM PUBLIC SECTOR EXTERNAL INDEBTEDNESS, BE ALLOTTED, WITH THE APPROPRIATE PRIORITIES, TO THE PAYMENT OF EXTERNAL DEBT, CONTRACTED IN FAVOR OF CREDIT INSTITUTIONS OF THE COUNTRY, THE OBLIGATIONS CARRIED BY THE MEXICAN BANKING SYSTEM AND THE IMPORTATION OF ESSENTIAL GOODS SUCH AS FOOD, SOME REQUIRED INPUTS FOR PRODUCTIVE ACTIVITY AND CERTAIN CAPITAL GOODS; SO AS TO AVOID THAT THE INTER-NATIONAL RESERVES OF THE BANK OF MEXICO ARE AFFECTED WITH THE MOTIVE OF SPECULATIVE OPERATIONS OR THOSE THAT CONFLICT WITH PUBLIC INTEREST:

-- THAT ALL THIS MAKES IT IMPERATIVE TO ADOPT TEMPORARILY IN REGARD TO CERTAIN ASPECTS OF THE ADJUSTMENT PROGRAM OF ECONOMIC POLICY FOR 1982, PUBLISHED IN THE OFFICIAL DAILY OF THE FEDERATION ON APRIL 21 OF THE PRESENT YEAR, AND THAT ALLOWS US TO USE SPECIAL EXCHANGE RATES FOR CERTAIN FOREIGN EXCHANGE REQUIREMENTS 50 THAT THE NEW EXCHANGE SITUATION THAT WE INEXORABLY HAVE TO FACE IMPLIES THE LOWEST SOCIAL COST POSSBILE AND PROPITIATES . PRODUCTION AND EMPLOYMENT; I WILLINGLY DECREE THE FOLLOWING:

-- ARTICLE 1. THE DEPENDENCIES OF THE FEDERAL PUBLIC PUBLIC CENTRALIZED ADMINISTRATION, THE DEPARTMENT OF THE FEDERAL DISTRICT, THE PARASTATAL ENTITIES LISTED IN THE ANNEX OF THIS DECREE AND THE OTHER ENTITIES OF THE PUBLIC FEDERAL ADMINISTRATION POINTED

OUT BY THE SECRETARY OF FINANCE AND PUBLIC CREDIT, SHOULD DEPOSIT IN THE BANK OF MEXICO, THROUGH TRANSFER OF FOREIGN FUNDS, ALL FOREIGN EXCHANGE THAT THEY HAVE, INCLUDING ALL ARISING FROM CREDITS AND OTHER

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FINANCING OBTAINED OR FROM RESIDENTS ABROAD, SUCH AS THAT RECEIVED BY WAY OF EXPORTS.

-- THE DEPOSITS TO WHICH THIS ARTICLE REFERS SHOULD BE MADE PRECISELY THE DAY THAT THIS FOREIGN EXCHANGE IS RECEIVED. THE INVESTMENTS NOW HELD IN FOREIGN CURRENCY IN DIFFERENT ENTITIES OTHER THAN THE BANK OF MEXICO CANNOT BE RENEWED AT THEIR MATURITY, EXCEPT WITH PRIOR AUTHORIZATION OF THE SECRETARY OF FINANCE AND PUBLIC CREDIT.

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THE DEPENDENCIES AND ENTITIES MENTIONED CAN MAINTAIN DEPOSITS OF FOREIGN EXCHANGE IN INSTITUTIONS OTHER THAN THE BANK OF MEXICO, ONLY WHEN THE SECRETARIAT OF FINANCE AND PUBLIC CREDIT GRANTS THEM APPROVAL. FOR SUCH APPROVAL WRITTEN REASONS SHOULD BE SUBMITTED JUSTIFYING THE NECESSITY OF MAINTAINING THESE DEPOSITS IN OTHER INSTITUTIONS, AND INFORMING THIS SECRETARIAT AND SAID BANK, WITH THE TIMING DETERMINED BY THEM, OF THE MOVEMENTS REGISTERED BY THE RESPECTIVE ACCOUNTS, INCLUDING THOSE THAT RESULT FROM THE INTEREST GENERATED BY THE DEPOSITS, AS WELL AS THE INTENDED USE OF THE FOREIGN EXCHANGE AT THEIR COMMAND.

- -- IN THE CONTRACTS WHICH DOCUMENT THE DEPOSITS REFERRED TO IN THE FIRST PARAGRAPH, IT IS INTENDED THAT THE RESTITUTION OF SUCH DEPOSITS WILL BE MADE THROUGH THE TRANSFER OF FUNDS HELD ABROAD.
- -- ARTICLE 2. ALL REVENUE THAT PETROLEOS MEXICANOS (PEMEX) RECEIVES IN PAYMENT FOR EXPORTS, AS WELL AS THAT OBTAINED BY NEGOTIATING SALES CONTRACTS OF THEIR PRODUCTS, MUST BE DEPOSITED IN THE BANK OF MEXICO, IN A SPECIAL ACCOUNT, ON THE SAME DAY THAT FOREIGN EXCHANGE IS RECEIVED, THROUGH TRANSFER OF FUNDS HELD ABROAD.
- -- PETROLEOS MEXICANOS WILL ONLY BE ABLE TO USE . THE FOREIGN EXCHANGE DEPOSITED IN THE SPECIAL ACCOUNT MENTIONED IN THE PREVIOUS PARAGRAPH IN ACCORD TO THE FOLLOWING RULES:
- -- A) TO PAY THE INTEREST AND EXPENSES OF OBLIGATIONS UNCLASSIFIED

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RELATED TO BORROWINGS IN FOREIGN CURRENCY TO RESIDENTS ABROAD, AS WELL AS TO PAY FOR IMPORTS IN LINE WITH THE CONDITIONS REFERRED TO IN ARTICLE 8.

THESE TRANSACTIONS WILL BE CARRIED OUT THROUGH PAYMENT ORDERS THAT THE BANK OF MEXICO PROCESSES CHARGED TO THE CORRESPONDING DEPOSIT, AFTER DELIVERY TO THIS INSTITUTION OF THE RESPECTIVE APPROVAL ISSUED BY THE SECRETARY OF FINANCE AND PUBLIC CREDIT THAT CERTIFIES THAT THE TRANSACTION IS FOR INTEREST OR OTHER COSTS RELATED TO REGISTERED CREDITS, OR THE CORRESPONDING CERTIFICATION OF THE SECRETARY OF COMMERCE, WHEN IT DEALS WITH IMPORTS.

- -- B) TO SELL FOREIGN EXCHANGE TO THE BANK OF MEXICO AT PREFERENTIAL EXCHANGE RATE NOTED BELOW IN ARTICLE 3.
- -- ARTICLE 3. THE BANK OF MEXICO WILL SELL TO THE DEPENDENCIES AND ENTITIES REFERRED TO IN ARTICLE 1, THE FOREIGN EXCHANGE THAT THEY NEED TO PAY INTEREST AND OTHER EXPENSES OF THEIR OBLIGATIONS DENOMINATED IN FOREIGN CURRENCY, AND TO THE ACCOUNT OF FINANCIAL ENTITIES ABROAD, ALWAYS AND WHEN THE ENTITY INVOLVED VERIFIES TO SAID BANK THE DESTINATION OF THESE PAYMENTS THROUGH GUIDANCE FOR THIS PURPOSE ISSUED BY THE SECRETARIAT OF FINANCE AND PUBLIC CREDIT.
- -- THESE SALES WILL BE MADE AT THE PREFERENTIAL EXCHANGE RATE FIXED DAILY BY THE BANK OF MEXICO.
- -- ARTICLE 4. THE NATIONAL CREDIT INSTITUTIONS WILL HAVE TO DEPOSIT IN THE BANK OF MEXICO ALL OF THE FOREIGN EXCHANGE THEY POSSESS OR MANAGE, AND THEY CAN ONLY MAINTAIN FOREIGN EXCHANGE DEPOSITS IN OTHER INSTITUTIONS WITH THE PREVIOUS AUTHORIZATION

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AMEMBASSY BRASILIA IMMEDIATE

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OF THE SECRETARIAT OF FINANCE AND PUBLIC CREDIT, IN COMPLIANCE WITH THE PROVISIONS IN THE PENULTIMATE PARAGRAPH OF THE ARTICLE.

- -- THE ACT OF MAKING DEPOSITS IN THE BANK OF MEXICO REFERRED TO IN THIS ARTICLE, AS WELL AS THE PAYMENT OF THE SAME, WILL BE MADE THROUGH FUNDS HELD ABROAD.
- -- ARTICLE 5. THE SECRETARIAT OF FINANCE AND PUBLIC CREDIT WILL ESTABLISH IN THE DIRECTION (OFFICE) OF PUBLIC DEBT, A REGISTRY TO RECORD UNCLASSIFIED

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CREDITS BY FOREIGN FINANCIAL ENTITIES TO THE PRIVATE ENTERPRISES ESTABLISHED IN MEXICO.
ONLY CREDITS CONTRACTED BEFORE THE DATE THAT THIS DECREE ENTERS INTO FORCE CAN BE REGISTERED, UP TO THE UNPAID BALANCE THAT AT THAT SAME DATE IS REPORTED ON SUCH CREDITS. ALSO, NEW CREDITS BY FOREIGN FINANCIAL ENTITIES AND TO THE ACCOUNT OF ENTERPRISES THAT ALREADY HAVE REGISTERED CREDITS CAN BE REGISTERED ALWAYS AND WHEN THE VALUE OF THE NEW CREDITS ADDED TO THE UNPAID BALANCE OF THE CREDITS ALREADY REGISTERED, DOES NOT EXCEED, AT THE DATE OF THE NEW REGISTRATION, THE QUANTITY ORIGINALLY REGISTERED.

- -- ARTICLE 6. THE ABOVE-MENTIONED DIRECTION OF PUBLIC DEBT, AT THE REQUEST OF THE COMPANIES, WILL ISSUE EVIDENCE OF THE REGISTRATION, IN ORDER THAT THESE CAN OBTAIN FROM THE BANK OF MEXXICO, THROUGH THE SELECTED INSTITUTION OF CREDIT AND BY THE DELIVERY OF SAID EVIDENCE, THE FOREIGN EXCHANGE REQUIRED FOR TIMELY PAYMENT OF THE ORDINARY INTERESTS OF DEBTS INVOLVED, AT THE PREFERENCIAL EXCHANGE RATE MENTIONED IN ARTICLE 3.
- THE CERTIFICATE OF REGISTRATION THAT IS GRANTED TO COMPANIES THATHAVE FOREIGN CURRENCY DEBT INSTRUMENTS IN THEIR FAVOR AND TO THE ACCOUNT OF RESIDENTS OF MEXICO, WILL REMAIN CONDITIONAL TO THE OBLIGATION OF THESE FIRMS TO TRANSFER THE ENTIRE BENEFIT TO THEM OF FOREIGN EXCHANGE ACQUIRED AT THE PREFERENTIAL EXCHANGE RATE, TO THE DEBTORS.

-- ARTICLE 7. THE ISSUANCE OF THE EVIDENCE OF UNCLASSIFIED

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REGISTRY REFERRED IN ARTICLE 6, RELATIVE TO THE CREDITS CONTRACTED AFTER THE DATE IN WHICH THE DECREE ENTERS FORCE, CAN ONLY BE MADE AFTER THE RETURN TO THE DIRECTION OF PUBLIC DEBT OF THE EVIDENCE OF REGISTRY THE CORRESPONDING TO CREDITS CONTRACTED BEFORE THAT DATE.

-- ARTICLE 8. THE BANK OF MEXICO, THROUGH THE CREDIT INSTITUTIONS OF THE COUNTRY, WILL SELL FOREIGN EXCHANGE AT THE PMEFERRED EXCHANGE RATE SET IN ARTICLE 3, FOR THE PAYMENT OF AUTHORIZED IMPORTATIONS OF BASIC FOOD STUFFS, OF INPUTS NECESSARY FOR PRODUCTIVE ACTIVITY AND OF CAPITAL GOODS, ALWAYS THAT SAID IMPORTS ARE ESSENTIAL FOR THE COUNTRY. THESE SALES WILL BE CARRIED OUT WHEN THE CORRESPONDING MERCHANDISE HAS BEEN LEGALLY INTRODUCED INTO NATIONAL TERRITORY.

TO SUCH EFFECT THE SECRETARIAT OF COMMERCE WITHIN THE AMOUNTS SET PERIODICALLY BY THE SECRETARIAT OF FINANCE AND PUBLIC CREDIT AND CONFORMING TO THE PRIORITIES THAT THAT SECRETARIAT ESTABLISHES IN ACCORDANCE WITH THE NATIONAL INTEREST, WILL ISSUE THE AUTHORIZATIONS NOTED IN THE FIRST PARAGRAPH OF THIS ARTICLE; THE SAME MUST BE PRESENTED TO THE FINANCE SECRETARIAT BY THE INTERESTED PARTIES AS SOON AS THE CORRESPONDING MERCHANDISE HAS BEEN LEGALLY INTRODUCED INTO NATIONAL TERRITORY, AT WHICH TIME THE CERTIFICATION THAT VERIFIES COMPLIANCE WITH THE REQUISITE OF TRADE AND INDICATES THE SUM OF FOREIGN EXCHANGE THAT THE INTERESTED PARTY CAN ACQUIRE AT THE PREFERENTIAL EXCHANGE RATE WILL BE ISSUED.

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-- ARTICLE 9. THE BANK OF MEXICO WILL SELL TO THE CREDIT INSTITUTIONS FOREIGN EXCHANGE AT THE PREFERENTIAL EXCHANGE, FOR THE VALUE OF THE INTERESTS CORRESPONDING TO CREDITS IN FOREIGN CURRENCY, GRANTED BEFORE AUGUST 5, 1982, THAT ARE PAID TO THEM IN NATIONAL CURRENCY AT THE CITED PREFERENTIAL EXCHANGE RATE, UNDER CONDITIONS THAT THE BANK OF MEXICO DETERMINES.

-- THIS ARTICLE ALSO WILL APPLY WITH RESPECT TO THE CREDITS GRANTED BEFORE AUGUST 5, 1982, UNCLASSIFIED

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THAT ARE RENEWED, IN THE UNDERSTANDING THAT IF THE RENEWAL INCREASES THE VALUE OF THE CREDIT, THE INTERESTS CORRESPONDING TO THE SURPLUS WILL NOT BE SUBJECT TO THIS RULE.

ARTICLE 10. THE BANK OF MEXICO, TO THE DEGREE THAT ITS RESOURCES PERMIT AND IN CONFORMANCE WITH THE GENERAL RULES WHICH IT ISSUES IN THAT CONNECTION, WILL SELL FOREIGN EXCHANGE AT THE RATE OF EXCHANGE DISCUSSED IN ARTICLE ONE OF THE OTHER PRESIDENTIAL DECREE ISSUED TODAY TO THE FOLLOWING PERSONS AND UNDER THE FOLLOWING

CONDITIONS:

- A) TO FINANCIAL INSTITUTIONS ESTABLISHED IN MEXICO, UP TO THE AMOUNT REQUIRED TO COVER BALANCES AND INTEREST ON LOANS CONTRACTED PRIOR TO AUGUST 12, 1982, AND PAYABLE ABROAD, PROVIDED THAT IT IS AUTHENTICATED THAT THOSE CREDITS CORRESPOND TO LIABILITIES DENOMINATED IN FOREIGN CURRENCY PAYABLE BY MEXICAN RESIDENTS AND PAYABLE IN MEXICO.

- B) TO THE HOLDERS OF BANK DEPOSITS WHICH WERE MADE TO TRUSTS WHICH GUARANTEE PAYMENT THROUGH FIDUCIARY GUARANTEE, SUCH AS, FOR EXAMPLE, THOSE PERSONS WHO MADE DEPOSITS (O OPERACIONES DE REPORTO) WITH MEXICAN CREDIT INSTITUTIONS IN ORDER TO OBTAIN ACCESS TO THE SPECIAL FINANCING PROGRAM (PROGRAMA ESPECIAL DE FINANCIAMIENTO) OF THE BANK OF MEXICO; PROVIDED THAT SUCH PERSONS AUTHENTICATE THAT THE FUNDS THAT APPLY TO THOSE OPERATIONS ORIGINATE FROM CREDITS TO THEIR UNCLASSIFIED

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ACCOUNT BY MEANS OF FOREIGN INSTITUTIONS WHICH ARE PAYABLE ABROAD TO THESE INSTITUTIONS.

- C) TO THE INTERNATIONAL AGENCIES AND INSTITUTIONS WHICH THE SECRETARIAT OF FINANCE CONSIDERS SIMILAR, SUCH AS EMBASSIES ESTABLISHED IN MEXICO AND FOREIGN CITIZENS EMPLOYED IN SUCH AGENCIES, INSTITUTIONS AND EMBASSIES UP TO THE AMOUNT OF THE BANK ACCOUNTS DENOMINATED IN FOREIGN CURRENCY WHICH THEY HELD ON AUGUST 12, 1982.
- D) TO FOREIGN FINANCIAL INSTITUTIONS, UP TO THE AMOUNT OF THE BANK ACCOUNTS DENOMINATED IN FOREIGN CURRENCY THAT THEY HELD ON AUGUST 12, 1982, PROVIDED THAT SUCH DEPOSITS ARE PAYABLE IN MEXICO.

THE BANK OF MEXICO WILL MAKE THE SALES REFERRED TO IN CLAUSES B), C), AND D) THROUGH THE CREDIT INSTITUTIONS OF MEXICO.

ARTICLE 11. THE REGISTRATION AUTHORIZED IN ARTICLE 5 AND THE AUTHORIZATIONS AND CERTIFICATIONS REFERRED TO IN ARTICLE 8, WILL BE REVOKED SHOULD THE BENEFICIARY BE GUILTY OF FALSE STATEMENTS OR OMISSIONS, OR MAKE FALSE USE OF CORRESPONDING EVIDENCE OR AUTHORIZATIONS, OR COMMIT ANY OTHER VIOLATION OF THE REGULATIONS IN THIS DECREE.

THE ABOVE APPLIES WITHOUT DETRIMENT TO THE IMPOSITION OF THE SANCTIONS AND REQUIREMENTS

WHICH MIGHT APPLY.

ARTICLE 12. THE COORDINATING AGENCIES WILL

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INSTRUCT THE ADJUDICATING AND ADMINISTRATING ENTITIES UNDER THEIR AUTHORITY TO ADOPT THE MEASURES NECESSARY FOR COMPLIANCE WITH THE REGULATIONS ISSUED IN THIS DECREE AND WILL MONITOR THE STRICT OBSERVANCE OF THOSE REGULATIONS.

ARTICLE 13. THE SECRETARIATS OF FINANCE AND COMMERCE, EACH IN ITS OWN AREA OF AUTHORITY, WILL ISSUE THE IMPLEMENTING REGULATIONS REQUIRED FOR THE EXACT FULFILLMENT OF THIS DECREE; THE

SECRETARIAT OF FINANCE HAVING THE RESPONSIBILITY UNCLASSIFIED

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TO DESIGNATE THE REQUISITES AND CHARACTERISTICS RELATIVE TO THE REGISTRY AND THE DOCUMENTATION IT WILL ISSUE, AND THE SECRETARIAT OF COMMERCE BEING RESPONSIBLE FOR DESIGNATING THE AUTHORIZATIONS REFERRED TO IN THIS DECREE.
BE IT RESOLVED THAT:

ONE: THIS DECREE WILL ENTER INTO FORCE THE DAY AFTER ITS PUBLICATION IN THE DIARIO OF ICIAL.

TWO: THE APPLICATIONS TO REGISTER THE CREDITS
REFERRED TO IN ARTICLE 5, CONTRACTED PRIOR
TO THE ENTERING INTO FORCE OF THIS DECREE,
WILL BE PRESENTED WITHIN A PERIOD OF TIME TO
BE SPECIFIED BY THE SECRETARIAT OF FINANCE.

THREE: THE SALE OF THE FOREIGN EXCHANGE REFERRED TO IN ARTICLE 8, WILL BEGIN ON THE DATE WHEN THE BANK OF MEXICO HAS SUFFICIENT FOREIGN EXCHANGE FOR SUCH SALE AND WILL BE SOLD UP TO THE LIMIT DETERMINED BY THE SECRETARIAT OF FINANCE.

THE DECREE IS ISSUED IN MEXICO CITY, AUGUST 16, 1982.

SIGNED: JOSE LOPEZ PORTILLO

JESUS SILVA-HERZOG - FINANCE

RAMON AGUIRRE - PROGRAMMING AND BUDGET

JORGE DE LA BEGA - COMMERCÉ

JOSE ANDRES OTEYZA - PATRIMONY

SERGIO GARCIA RAMIREZ - LABOR

END TRANSLATION.

3. THE ANNEX REFERRED TO IN ARTICLE 1, LISTS 60-ODD UNCLASSIFIED

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DEPARTMENT PASS IMMEDIATE TO FEDERAL RESERVE BOARD, COMMERCE AND EXPORT IMPORT BANK

E.O. 12356: N/A

TAGS: AFIN, EGEN, MX, ALOW, AFSP, EFIN SUBJECT: FINANCIAL NEWS SUMMARY, AUGUST 20, 1982

REF: MEXICO 11412

- 1. THIS CABLE SUMMARIZES THE MOST SIGNIFICANT FINANCIAL AND RELATED STORIES IN MEXICO CITY'S DAILY PRESS ON AUGUST 20, 1982.
- 2. UNO MAS UNO (LEFTIST NATIONALISTIC) CARRIED THE FOLLOWING PAGE 1 HEADLINE: "MARKET FLUCTUATES: DOLLAR GOES TO 115 PESOS; UNEMPLOYMENT GROWS." THIS ARTICLE DESCRIBES YESTERDAY'S REOPENING OF THE EXCHANGE MARKET AS THE MOST "ERRATIC AND UNEASY" IN RECENT MEMORY. IT REPORTED "NERVOUSNESS AND IMPATIENCE" IN THE EXCHANGE LINES, AND THAT THE EXCHANGE QUOTE CHANGED "TWELVE TIMES" BEFORE UNCLASSIFIED

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ENDING AT 112 TO BUY PESOS AND 115 TO BUY DOLLARS. A COMPANION ARTICLE QUOTED LABOR LEADERS JORGE DE REGIL AND WILFRIDO CASTILLO SANCHEZ MEJORADA AS SAYING AUSTERITY MEASURES WOULD LEAD TO ABOUT 500,000 LAYOFFS THIS YEAR IN THE CONSTRUCTION INDUSTRY. THIS ARTICLE WENT ON TO REPORT THE APPEAL OF LABOR CONGRESS PRESIDENT DORANTES SEGOVIA TO BUSINESS SECTOR NOT "TO CLOSE ENTER-PRISES" BUT "TO ESTABLISH NEW SOURCES OF EMPLOYMENT." OTHER HEADLINES FROM LEAD ARTICLES WERE: 1) "EXTENDED PAYMENT SCHEDULE NEGOTIATED IN NEW YORK; 2) "MEXICO'S ECONOMIC HEALTH VITAL

TO U.S.: EDWARD KENNEDY"; 3) "CTM: TOTAL CONTROL OF EXCHANGE NECESSARY".

3. NOVEDADES (MODERATE) RAN THIS HEADLINE ON PAGE 1: "DOLLAR CLOSES AT 110 FOR 1 IN THE FREE MARKET. " THIS ARTICLE REPORTED "AN ERRATIC OUOTATION"OF THE PESO AGAINST THE DOLLAR YESTERDAY WITHIN A 20 PESO BAND. CARLOS ABEDROP. PRESIDENT OF THE MEXICAN BANKERS ASSOCIATION, SAID THE REOPENING OF THE MARKET WAS "CALM, WITHOUT PANIC BUYING AND EXCESSIVE OPPORTUNISTIC SELLING. " ANOTHER PAGE 1 HEADLINE READ: "SILVA-HERZOG LOOKS TO RENEGOTIATE OUR EXTERNAL DEBT IN NEW YORK." THIS ARTICLE STATED THAT MEXICO WOULD TODAY ASK ITS 300 CREDITOR BANKS TO RESTRUCTURE UP TO \$60 BILLION OF ITS EXTERNAL ON PAGE 9, AN ARTICLE RAN ENTITLED: "E. KENNEDY DEFENDS MEXICO'S INTERESTS: THE U.S. SENATE ANALYZES THE ECONOMY OF OUR COUNTRY." 4. HERALDO (CONSERVATIVE) CARRIED THE FOLLOWING BANNER HEADLINE ON PAGE 1: "SILVA-HERZOG RENEGOTIATES CREDITS: THE DOLLAR GOES TO 112 UNCLASSIFIED

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PESOS." THIS ARTICLE REPORTED "GREAT FLUCTUATION" IN THE PESO'S VALUE. IT QUOTED DIVERSE SPECIALISTS AS SAYING "THERE WAS CONFUSION AMONG THE PEOPLE WHO DIDN'T UNDERSTAND THE DIFFERENCE BETWEEN THE FREE AND PREFERENTIAL DOLLAR." IT ALSO NOTED THAT SOME BANK AUTHORITIES LIMITED DOLLAR SALES TO "ONE THOUSAND PER PERSON." THE ACCOMPANYING PHOTOGRAPH ON PAGE 1 SHOWED LONG LINES OF TRAVELERS AT THE AIRPORT CHANGING THEIR DOLLARS FOR PESOS AT 120 TO 1. ANOTHER LEAD ARTICLE REPORTED SILVA-HERZOG'S MEETINGS WITH NEW YORK BANKERS TO RESCHEDULE MEXICO'S COMMERCIAL DEBT. THE PAGE 1 HEADLINE OF EXCELSIOR (LEFTIST NATIONALISTIC) WAS: "DOLLAR CLOSES AT 112 PESOS: LITTLE DEMAND AND CONFUSION." THIS ARTICLE CLAIMED THAT STRONG PUBLIC OFFERING OF DOLLARS CAUSED YESTERDAY'S 8 PERCENT APPRECIATION OF THE PESO AGAINST THE DOLLAR. THE PRESIDENT OF THE MEXICO BANKERS' ASSOCIATION, CARLOS ABEDROP, SAID THE CURRENT EXCHANGE QUOTE OF 110 PESOS/\$1 WAS "VERY HIGH" AND PREDICTED "A FUTURE DECLINING TREND." ANOTHER ARTICLE REPORTED THAT THE LABOR CONGRESS (CT) WILL "DEMAND A RESTORATION OF PURCHASING POWER." THE CT PRESIDENT WAS QUOTED AS SAYING LABOR WOULD ASK FOR A WAGE INCREASE BEFORE SEPTEMBER 1, 1982. OTHER LEAD HEADLINES ON PAGE 1 INCLUDED: "THE EXTERNAL DEBT BEING RENEGOTIATED" AND "E. KENNEDY: REAGAN'S POLICY EXACERBATES MEXICO'S ECONOMIC CRISIS." AS NOTED ABOVE, THE WASHINGTON CORRESPONDENTS OF UNO MAS UNO, NOVEDADES, AND EXCELSIOR FILED

STORIES ON SENATOR KENNEDY'S SPEECH IN THE SENATE YESTERDAY. UNO MAS UNO SAID THE SENATOR CITED MEXICO'S IMPORTANCE AS A FRIEND, TRADING PARTNER,

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PAGE 01 MEXICO 11483 02 OF 02 202111Z ACTION ARA-16

INFO OCT-00 COPY-01 ADS-00 AID-07 INR-10 SS-10 CIAE-00 EB-08 DODE-00 H-01 EXIM-06 NSCE-00 NSAE-00 COME-00 SSO-00 L-03 LAB-04 OPIC-07 PA-02 CEA-01 OMB-01 STR-14 SIL-01 INRE-00 FRB-01 JUS-01 SP-02 /096 W

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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 2701
TREASURY WASHDC IMMEDIATE
USICA WASHDC IMMEDIATE 1292
ALL USCONS MEXICO POUCH

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AND THIRD WORLD LEADER AS REASONS WHY BILATERAL RELATIONS WITH THE GOM WERE OF "MAXIMUM PRIORITY." NOVEDADES REPORTED THAT THE SENATOR REVIEWED THE BALANCE OF PAYMENTS STATISTICS AND RECENT AUSTERITY MEASURES OF MEXICO WHILE STRESSING THAT INTERNATIONAL FORCES HAD CONTRIBUTED GREATLY TO ITS CURRENT ECONOMIC PROBLEMS. EXCELSIOR REPORTED THAT THE SENATOR STRONGLY CRITICIZED THE REAGAN ADMINISTRATION FOR TRYING "TO TAKE ADVANTAGE" OF MEXICO'S DIFFICULTIES. HE IS FURTHER QUOTED AS SAYING THAT THE U.S. AND MEXICO "SHOULD LOOK FOR LONG TERM JOINT SOLUTIONSTOTHE ECONOMIC PROBLEMS OF BOTH COUNTRIES." (DRAFTED BY: ECON: DLDUDLEY)

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INFO OCT-00 COPY-01 ADS-00 AID-07 INR-10 SS-10 CIAE-00 DODE-00 H-01 EXIM-06 NSCE-00 NSAE-00 COME-00 L-03 LAB-04 DOE-10 OPIC-07 PA-02 CEA-01 EB-08 SSO-00 SIL-01 INRE-00 FRB-01 JUS-01 OMB-01 STR-14 SP-02 DOEE-00 /106 W

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UNCLAS SECTION 01 OF 02 MEXICO 11559

DEPARTMENT PASS IMMEDIATE TO FEDERAL RESERVE BOARD. COMMERCE AND EXPORT IMPORT BANK

E.O. 12356: N/A

TAGS: AFIN, EGEN, MX, ALOW, AFST, EFIN

SUBJECT: FINANCIAL NEWS SUMMARY, AUGUST 23, 1982

REF: MEXICO 11483

- 1. THIS REPORT SUMMARIZES THE MOST IMPORTANT FINANCIAL AND RELATED ARTICLES THAT APPEARED IN THE DAILY MEXICO CITY PRESS DURING AUGUST 20-23, 1982.
- 2. NOT BEING PUBLISHED ON THE WEEKENDS, EL FINANCIERO (FINANCIAL DAILY) CARRIED THE FOLLOWING BANNER HEAD-LINE AUGUST 23: "NOT EVEN ONE SOFT DOLLAR FOR ENTRE-PRENEURS." IN THIS ARTICLE A MEXICAN ECONOMIC CONSULTANT CLAIMS THE PRIVATE SECTOR WILL RECEIVE NONE OF MEXICO'S ESTIMATED "PREFERENTIAL DOLLARS" THIS YEAR BECAUSE GOM NEEDS ALL OF THEM TO MEET ITS "OBLIGATIONS UNCLASSIFIED

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AND IMPORTS." HAVING TO PAY THEIR EXTERNAL DEBT AND IMPORT BILLS IN "HARD DOLLARS" WILL MAKE "CONDITIONS EVEN MORE DIFFICULT" FOR THESE COMPANIES THAN THEY ALREADY FACE ACCORDING TO THE CONSULTANT. ANOTHER LEAD STORY IS ENTITLED: "IMF CONDEMNS TEMPTATION OF MONETARY EXPANSION TO STIMULATE DECLINING ECONOMIES." THIS ARTICLE SUMMARIZES RECENTLY RELEASED ANNUAL REPORT OF THE WASHINGTON-BASED FUND. ANOTHER FRONT PAGE STORY QUOTES PRESIDENT OF THE ASSOCIATION OF NATIONAL MERCHANDISE EXECUTIVES AS SAYING "THE INFLOW OF FOREIGN INVESTMENT INTO MEXICO HAS ABRUPTLY STOPPED DUE TO THE ECONOMIC SITUATION." FINALLY ANOTHER

IMPORTANT ARTICLE RAN UNDER THE FOLLOWING HEADLINE:
"PRICES WILL HAVE TO BE LIBERATED BECAUSE PRIVATE
ENTERPRISE IS NOT A PUBLIC CHARITY: CLOUTHIER."
IN IT, MANUEL J. CLOUTHIER (PRESIDENT OF BUSINESS
ORGANIZATIONS) CLAIMS THAT SOME GRADUAL PRICE INCREASES
ARE NECESSARY TO AVOID "BANKRUPTCY" AMONG THE
"MAJORITY OF PRODUCTIVE PLANTS IN THE COUNTRY."

3. EXCELSIOR (LEFTIST NATIONALISTIC) RAN A NUMBER OF IMPORTANT ECONOMIC STORIES DURING AUGUST 21-23 PERIOD. THE LEAD STORY ON SATURDAY WAS ENTITLED: "THE WORLD'S BANKS GRANT MEXICO A 90-DAY EXTENSION." THIS ARTICLE REPORTED THAT DURING THE NEXT THREE MONTHS MEXICO WILL HAVE TO PAY ONLY INTEREST CHARGES ON ITS \$80 BILLION EXTERNAL DEBT BECAUSE OF THE RESCHEDULING AGREEMENT REACHED BETWEEN THE GOM AND 115 COMMERCIAL BANKS. MEANWHILE MEXICO WILL PREPARE A PROGRAM TO RESCHEDULE ITS FOREIGN DEBT ACCORDING TO THE ARTICLE. A COMPANION ARTICLE CALLED THIS RAPID RESPONSE OF THE INTERNATIONAL FINANCIAL COMMUNITY A "TESTIMONY OF THE GRAVITY UNCLASSIFIED

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OF THE SITUATION" CAUSED BY MEXICO'S FINANCIAL CRISIS FOR WORLD MONETARY SYSTEM. THE SUNDAY EXCELSIOR CARRIED THE FOLLOWING LEAD STORY: "SALARY ADJUSTMENT WITH THE PRIVATE SECTOR, WITHOUT GOVERN-MENT ARBITRAGE: THE LABOR CONGRESS." IN THIS ARTICLE KEY LABOR LEADERS CALLED FOR AN "OPEN DIALOGUE BETWEEN WORKERS AND MANAGEMENT" WITHOUT GOVERNMENT INTERFERENCE. ONE LABOR LEADER IS OUOTED AS SAYING SUCH DIRECT TALKS WILL LEAD TO SMALLER WAGE INCREASES THAN THOSE ADOPTED AFTER THE PREVIOUS DEVALUATION. ANOTHER ARTICLE NOTES THAT THE VALUE OF THE PESO HAS SLOWLY RATCHETED UPWARD RELATIVE TO THE DOLLAR SINCE THE EXCHANGE MARKET WAS REOPENED. THE LEAD HEADLINE ON AUGUST 23 READS: "IMMORALITY AND CORRUPTION SAP CONFIDENCE: QUINTERO." THIS ARTICLE REPORTS ON YESTERDAY'S SPEECH OF CARLOS QUINTERO ARCE IN WHICH THIS HERMOSILLO ARCHBISHOP WARNS THAT THE "ECONOMIC CRISIS CAN LEAD TO A SOCIAL CRISIS" IF CORRUPTION IS NOT ABATED. A COMPANION ARTICLE IS ENTITLED: "THE FOOD DEFICIT WILL WORSEN." FINALLY ANOTHER ARTICLE IS HEADLINED: "CANACINTRA AGREES WITH SALARY INCREASES." THIS ARTICLE REPORTS THAT CANACINTRA, A BUSINESS GROUP, WILL SUPPORT THE PROPOSAL OF THE LABOR CONGRESS "TO INCREASE SALARIES ACCORDING TO THE MEANS OF ENTERPRISES."

4. UNO MAS UNO (LEFTIST NATIONALISTIC) CARRIED THE FOLLOWING HEADLINE ON AUGUST 21: "EXTENSION OF 90 DAYS FOR MEXICAN DEBT." THIS ARTICLE QUOTED SILVA-HERZOG AS SAYING THIS EXTENSION GRANTED BY COMMERCIAL BANKS WAS "CONSTRUCTIVE AND RESPONSIBLE."

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IT REPORTED THIS AGREEMENT INCLUDED: (1) A 90-DAY
"GRACE PERIOD" FOR PAYMENTS OF CAPITAL ON PUBLIC
EXTERNAL DEBT; (2) CONTINUATION OF SYNDICATED
LOANS TO EASE MEXICO'S LIQUIDITY CRISIS; AND
(3) ACCEPTANCE OF MEXICAN PROPOSAL TO PREPARE AN
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EXTERNAL DEBT RESCHEDULING PROGRAM OVER NEXT THREE

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INFO OCT-00 COPY-01 ADS-00 AID-07 INR-10 SS-10 CIAE-00 EB-08 DODE-00 H-01 EXIM-06 NSCE-00 NSAE-00 COME-00 SSO-00 L-03 LAB-04 DOE-10 OPIC-07 PA-02 CEA-01 OMB-01 STR-14 SIL-01 INRE-00 FRB-01 JUS-01 SP-02 DOEE-00 /106 W

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TO SECSTATE WASHDC IMMEDIATE 2753
TREASURY WASHDC IMMEDIATE
USICA WASHDC IMMEDIATE 1304
ALL USCONS MEXICO POUCH

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MONTHS. A COMPANION ARTICLE REPORTED THE RECENT GOVERNMENT DECISION TO EXTEND PRICE CONTROLS ON 5000 ITEMS UNTIL THE END OF THIS YEAR. THE HEADLINE THE FOLLOWING DAY, SUNDAY, AUGUST 22, READS: "THERE IS A WORLD CRISIS BECAUSE OF INFLATION AND UNEMPLOYMENT. " THIS ARTICLE REPORTED CONCLUSIONS OF ANNUAL REPORT OF IMF. ANOTHER ARTICLE THIS SAME DAY WAS ENTITLED: "PRICE INCREASES FOR SCHOOL SUPPLIES MORE THAN 100 PERCENT. " FINALLY A REPORT. ON EXCHANGE ACTIVITY OVER THE WEEKEND NOTED THAT "DOLLAR OFFERINGS CONTINUE: OUOTES RANGE FROM 97 TO 100 PESOS." THE AUGUST 23 EDITION OF UNO MAS UNO RAN THE FOLLOWING HEADLINE: "\$1.5 MILLION A DAY, TO BANKS IN EL PASO. " THIS ARTICLE QUOTES DONALD CHUFFSTEL OF EL PASO'S STATE NATIONAL BANK AS SAYING THE RATE OF DOLLAR INFLUX FROM MEXICO "HAS INCREASED" SINCE THE REOPENING OF ITS EXCHANGE UNCLASSIFIED

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MARKET BECAUSE OF A "LOSS OF CONFIDENCE IN MEXICAN BANKS." ANOTHER ARTICLE SAYS DOLLAR STABILIZING BETWEEN 97 AND 100 PESOS.

5. NOVEDADES (MODERATE) REPORTS ON SATURDAY, AUGUST 20, "MORATORIUM OF THREE MONTHS ON PAYMENT OF EXTERNAL DEBT." THIS ARTICLE REPORTS THAT 130 COMMERCIAL BANKS GRANTED A 90-DAY EXTENSION TO MEXICO ON ITS PAYMENTS OF PRINCIPAL. THIS AGREEMENT WAS REPORTEDLY REACHED THE PREVIOUS DAY IN A MEETING AT THE FEDERAL RESERVE BANK OF NEW YORK ATTENDED BY ITS PRESIDENT ANTHONY SOLOMAN, SILVA-HERZOG

AND COMMERCIAL BANKERS. ANOTHER SATURDAY ARTICLE REPORTS "DECLINE IN DEMAND FOR DOLLARS" IN THE EXCHANGE MARKET. THE ONLY NOTEWORTHY ARICLE IN SUNDAY'S NOVEDADES WAS ENTITLED: "THE CURRENT ECONOMIC SITUATION FAVORS INTERNATIONAL TOURISM." THIS ARTICLE QUOTED A UNIVERSITY AUTHORITY ON TOURISM AS SAYING THAT RECENT CHANGES IN THE EXCHANGE SYSTEM WILL PERSUADE 1.5 MILLION MEXICANS TO VACATION AT HOME RATHER THAN ABROAD NEXT YEAR. TODAY'S NOVEDADES CARRIED THE FOLLOWING LEAD HEADLINE: "IMF ANTICIPATES OTHER EVILS FOR NATIONS IN DEVELOPMENT." THIS ARTICLE REPORTS THE CONCLUSION OF THE IMF ANNUAL REPORT THAT "PROTECTIONISTIC MEASURES AMONG INDUSTRIAL NATIONS TO REDUCE UNEMPLOYMENT WILL SEVERLY AFFECT" DEVELOPING COUNTRIES. ANOTHER PAGE 1 HEADLINE REPORTS: "FOREIGN EXCHANGE INFLOW TO DOUBLE: MOYA P." THIS REPORT QUOTES MARIO MOYA PALENCIA (DIRECTOR GENERAL OF THE NATIONAL FUND TO PROMOTE TOURISM) AS PREDICTING THAT TOURIST RECEIPTS WILL DOUBLE NEXT YEAR "AS A RESULT OF GREATER AFFLUENCE AMONG VISITORS TO OUR UNCLASSIFIED

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COUNTRY, PROVIDED BY THE NEW EXCHANGE RATE." (DRAFTED BY: ECON: DLDUDLEY) SHANKLE

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TO SECSTATE WASHDC IMMEDIATE 2778
INFO TREASURY WASHDC IMMEDIATE
USICA WASHDC IMMEDIATE 1308
ALL USCONS MEXICO POUCH

DEPARTMENT OF STATE IM/IPS/CR/IR RS Date: 10/27/

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DEPARTMENT PASS IMMEDIATE TO FEDERAL RESERVE BOARD, COMMERCE AND EXPORT IMPORT BANK

E.O. 12356: N/A

TAGS: AFIN, EGEN, MX, ALOW, AFSP, EFIN

SUBJECT: FINANCIAL NEWS SUMMARY, AUGUST 24, 1982

REF: MEXICO 11559

- 1. THIS REPORT SUMMARIZES THE IMPORTANT FINANCIAL AND RELATED STORIES IN THE MEXICO CITY DAILY PRESS ON AUGUST 24, 1982.
- 2. EL FINANCIERO (FINANCIAL DAILY) CARRIED
 THE FOLLOWING LEAD HEADLINE: "INCOME TAX
 REDUCTIONS MISLEADING." THIS ARTICLE QUOTED THE
 MEXICAN INSTITUTE OF PUBLIC ACCOUNTANTS (IMCP)
 AS CONCLUDING "THAT THE REDUCTIONS IMPOSED ON
 PEOPLE RANGE FROM 14 TO 17 PERCENT AND IN NO
 CASE REACH 35 PERCENT" AS CLAIMED BY FINANCE
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MINISTER SILVA-HERZOG. THE PRESIDENT OF THE IMCP STATES THE GOVERNMENT SHOULD HAVE "CHANNELED THIS STIMULUS TO ENTERPRISES THAT SHOW THEY HAVE LIQUIDATED THEIR CONTRACTED EXTERNAL DEBTS." ANOTHER PAGE 1 STORY IS ENTITLED: "THE LABOR CONGRESS ASKS FOR DIRECT SALARY TALKS WITH MANAGEMENT: BUSINESSMEN DISAGREE." THIS ARTICLE REPORTS THAT LABOR AND MANGEMENT HAVE DECIDED TO SEEK A WAGE ADJUSTMENT THAT WILL NOT "DAMAGE" THE ECONOMY. SEVERAL BUSINESS LEADERS ARE QUOTED, HOWEVER, AS SAYING THEY THINK THEIR COMPANIES LACK THE "LIQUIDITY"

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TO GRANT SALARY INCREASES AT THIS TIME. OTHER IMPORTANT ECONOMIC STORIES ARE ENTITLED:

(1) "THE HARD DOLLAR MARKET SEMISTABLIZES:

100 TO SELL; 90 TO BUY", (2) "LET THERE BE NO SOFT DOLLARS FOR UNPRODUCTIVE PARASTATALS",

AND (3) "BANKS IN U.S. UNIFY THE PRIME RATE:

13.5 PERCENT".

3. UNO MAS UNO (LEFTIST NATIONALISTIC) RAN
THE FOLLOWING BANNER HEADLINE: "THIS IS NOT
THE TIME TO RADICALIZE: LABOR CONGRESS; CLOSURES
IF THERE ARE INCREASES: BUSINESS CONFEDERATION."
UNDER THIS DUAL TITLE APPEARED THREE ARTICLES.
THE FIRST QUOTED A LABOR LEADER AS SAYING "IT
IS BETTER TO ALLOW A DETERIORATION IN WAGES
THAN HAVE FACTORY CLOSURES." AT THE SAME TIME
HE WARNED THAT "WORKERS ARE NOT INCLINED TO
PROTECT THE EMPLOYERS OF THE COUNTRY." A
COMPANION ARTICLE QUOTED JOSE MARIA BASAGOTI,
PRESIDENT OF THE BUSINESS CONFEDERATION
(COPARMEX) AS SAYING "THE ENTERPRISE SECTOR
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IS IN NO SHAPE TO INCREASE SALARIES BECAUSE
THIS WOULD ENDANGER EMPLOYMENT. BASAGOTI
ALSO STATES THAT MEASURES LIKELY TO BE RECOMMENDED
BY THE IMF ARE "ECONOMICALLY REALISTIC AND
NECESSARY TO EMERGE FROM THE CRISIS." A THIRD
ARTICLE UNDER THIS BANNER HEADLINE IS ENTITLED:
"THE DOLLAR IS MAINTAINED BETWEEN 97 AND 100 PESOS."
FINALLY AN EDITORIAL COLUMN ON PAGE 2 IS ENTITLED:
"EXTENSION OR RENEGOTIATION." THIS ARTICLE
CLAIMS THAT THE 90-DAY "GRACE PERIOD" RECENTLY
GRANTED TO MEXICO BY ITS COMMERCIAL BANKERS
REPRESENTS A PAYMENT "DEFERRAL" RATHER THAN A
"RENEGOTIATION" OF EXTERNAL DEBT.

4. EXCELSIOR (LEFTIST NATIONALISTIC) CARRIED THE FOLLOWING LEAD HEADLINE: "THE RURAL SECTOR IS NOT RESPONSIBLE FOR THE CRISIS: JLP." THIS ARTICLE QUOTES PRESIDENT LOPEZ PORTILLO AS SAYING YESTERDAY AT A MEETING OF THE NATIONAL FEDERATION OF SMALL PRIVATE FARMERS, THAT "THE GRAINERIES ARE FULL AS NEVER BEFORE IN OUR HISTORY." THE PRESIDENT WENT ON TO APPEAL FOR "SOLIDARITY AND LOYALTY" AMONG SMALL PROPERTY OWNERS. THE PRESIDENT OF THIS FARMERS' ORGANIZATION RESPONDED BY SAYING MEMBERS SUPPORTED JLP THROUGH "GOOD AND BAD." ANOTHER LEAD STORY IS ENTITLED: "IF PRICE INCREASES DON'T STOP WE WILL ASK FOR CONFISCATION OF MERCHANDISE: LABOR CONGRESS." THIS ARTICLE OUOTED LABOR LEADER DORANTES SEGOVIA AS MAKING THIS DEMAND BECAUSE MANY MIDDLEMEN ARE NOT "RESPECTING" THE RECENT

EXTENSION OF PRICE CONTROLS. FINALLY ANOTHER IMPORTANT LEAD STORY RAN WITH THE FOLLOWING HEAD-LINE: "MEASURES TO INCREASE THE BANKING ASSETS." THIS ARTICLE NOTED RECENT GOVERNMENT MEASURES TO STRENGTHEN THE BANKING SECTOR SUCH AS UNCLASSIFIED

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ELIMINATION OF MINIMUM BALANCE REQUIREMENTS FOR TERM DEPOSITS. THIS IS BEING REPORTED

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TO SECSTATE WASHDC IMMEDIATE 2779
INFO TREASURY WASHDC IMMEDIATE
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ALL USCONS MEXICO POUCH

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SEPARATELY.

. 5. NOVEDADES (MODERATE) CARRIED THE FOLLOWING BANNER HEADLINE: "IN HIS SIXTH REPORT, JLP WILL TELL US WHAT WE SHOULD DO." THIS ARTICLE REPORTED PRESIDENT LOPEZ PORTILLO'S SPEECH TO FARMERS YESTERDAY IN WHICH HE DESCRIBED THE CURRENT CRISIS AS "CURIOUS" WITH "THE GRANERIES FILLED" AS NEVER BEFORE. IN A SEPARATE SPEECH THE PRESIDNET OF THIS RURAL ORGANIZATION PLEDGED THAT HIS GROUP WOULD CONTINUE STRIVING TOWARD FOOD SELF-SUFFICIENCY AND WORK UNITED BECAUSE "THIS IS THE PATH TO SOLUTION IN THE DIFFICULT MOMENTS THAT THREATEN US. " ANOTHER LEAD ARTICLE OUOTED TOURISM SECRETARY ROSA LUZ ALEGRIA AS SAYING THAT MAINTAINING GOOD RELATIONS WITH THE U.S. UNCLASSIFIED

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IS VITAL TO MEXICO'S TOURIST INDUSTRY AND ECONOMY. ALEGRIA IS ALSO REPORTED AS SAYING THAT MEXICO IS GOING TO AUTHORIZE THE BUILDING OF CASINOS IN ITS TERRITORY TO ATTRACT U.S. TOURISTS.

6. THE LEAD STORY IN HERALDO (CONSERVATIVE)
WAS ENTITLED: "ALMOST \$4 BILLION TO BE REQUESTED
FROM IMF." THIS ARTICLE REPORTS ON A PRESS
CONFERENCE BY THE DEPUTY DIRECTOR OF THE BANK
OF MEXICO ALFREDO PHILLIPS, WHO WAS ACCOMPANIED
BY THE GENERAL DIRECTOR FOR INTERNATIONAL AFFAIRS

AT THE TREASURY, SALVADOR ARRIOLA. THE PURPOSE WAS TO DISCUSS THE UPCOMING IMF/IBRD ANNUAL MEETINGS. WE WILL REPORT FURTHER IN A SEPARATE CABLE. ANOTHER ARTICLE WAS ENTITLED: "THE WORKER KNOWS EXCESSIVE DEMANDS WILL AGGRAVATE CRISIS." THIS ARTICLE QUOTED BUSINESS CONFEDERATION LEADER BASAGOTI AS SAYING THAT CURRENT "ECONOMIC PROBLEMS MUST BE RESOLVED WITH ECONOMIC REALISM AND NOT MIXED UP WITH POLITICAL ILLUSIONS." GAVIN

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INFO TREASURY WASHDC PRIORITY

DEPARTMENT OF STATE IM/IPS/CR/IR RS Date: 10/27/97

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(C) DEPARTMENT OF STATE IM/IPS/CR/IR RS Date: 10/27/97

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E.O. 12356: N/A

TAGS: EFIN, EGEN, MX

UNCLAS MEXICO 11651

SUBJECT: GOM OFFICIALS DISCUSS MEXICAN POSITION

AT IMF/IBRD ANNUAL MEETINGS

- 1. BEGIN SUMMARY. SALVADOR ARRIOLA, DIRECTOR OF INTERNATIONAL FINANCIAL AFFAIRS IN THE TREASURY, AND ALFREDO PHILLIPS, SUBDIRECTOR FOR INTERNATIONAL AFFAIRS AT THE BANK OF MEXICO, HELD A PRESS CONFERENCE YESTERDAY, AUGUST 23 TO DISCUSS MEXICO'S POSITION AT THE IMF/IBRD ANNUAL MEETINGS. END SUMMARY.
- 2. ACCORDING TO PHILLIPS AND ARRIOLA, MEXICO PLANS TO PROPOSE "BROADER ACCESS TO THE IMF FOR LDC'S FACING SEVERE NEGATIVE BALANCES IN THEIR ECONOMIES." THEY SAID MEXICO WILL PROPOSE, AMONG OTHER MEASURES, THE FOLLOWING:
- -- THE CREATION OF A FINANCING MECHANISM TO LESSEN THE BURDEN OF EXTERNAL AND ABNORMAL PROBLEMS SUCH AS HIGH INTERNATIONAL INTEREST RATES. PHILLIPS NOTED THE LDC'S HAVE \$500 BILLION OF INTERNATIONAL DEBT AND EVERY PERCENTAGE POINT OF INTEREST "MEANS UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MEXICO 11651 251822Z

SOME \$5 BILLION MORE IN THE COMBINED CURRENT ACCOUNT DEFICIT OF THESE COUNTRIES."

- -- MEXICO WILL PUSH FOR A 120 PERCENT INCREASE IN QUOTAS. PHILLIPS AND ARRIOLA NOTED THAT MOST INDUSTRIALIZED COUNTRIES "WILL NOT WANT A QUOTA INCREASE ABOVE 40-50 PERCENT." THEY ALSO NOTED THAT MEXICO'S CURRENT QUOTA IS 802 MILLION SDR'S AND THAT QUOTAS DETERMINE VOTING POWER, ACCESS TO RESOURCES, AND THE DISTRIBUTION OF SDR'S.
- -- MEXICO WILL SUPPORT THE POSITION OF THE G-24

COUNTRIES REGARDING THE INCREASE IN THE SHARE OF TOTAL QUOTAS BY THE LDC'S FROM 37 TO 45 PERCENT.

-- ANOTHER "THEME WHICH THE MEXICAN DELEGATION WILL PUSH FOR" RELATES TO THE ALLOCATION OF SDR'S. MEXICO WANTS AN ANNUAL ALLOCATION OF SDR'S THAT WILL REACH 12 BILLION SDR'S.

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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

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ACTION ARA-16

INFO OCT-00 COPY-01 ADS-00 AID-07 INR-10 EUR-12 AF-10 CIAE-00 EB-08 EA-12 DODE-00 H-01 SS-10 IO-15 EXIM-06 NEA-07 NSCE-00 NSAE-00 COME-00 SSO-00 B0-AH DOE-10 PM-09 OPIC-07 PA-02 SIL-01 INRE-00 AGRE-00 FRB-01 LAB-04 L-03CEA-01 OMB-01STR-14 JUS-01

DOEE-00 SPRS-02 /181 W USIE-00 SP-02 ------006440 030242Z /62

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 3046

TREASURY WASHDC IMMEDIATE

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

USINT BAGHDAD

AMEMBASSY BRUSSELS

AMEMBASSY CAIRO

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

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PAGE 02 MEXICO 12107 01 OF 05 030233Z

AMEMBASSY TOKYO

AMEMBASSY VIENNA

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AMEMBASSY BERN ALL USCONS MEXICO POUCH

UNCLAS SECTION 01 OF 05 MEXICO 12107

DEPARTMENT PASS IMMEDIATE FEDERAL RESERVE BOARD, COMMERCE, AND EXPORT IMPORT BANK

E.O. 12356: N/A

TAGS: EFIN, EGEN, MX, ALOW AFSP, AFIN SUBJECT: GOM DECREE NATIONALIZING THE PRIVATE BANKS

- 1. EMBASSY TRANSLATION OF THE DECREE OF SEPTEMBER 1, NATIONALIZING THE PRIVATE BANKS FOLLOWS:
- 2. BEGIN QUOTE:

PRESIDENTIAL DECREE NATIONALIZING THE BANKS

JOSE LOPEZ PORTILLO, CONSTITUTIONAL PRESIDENT OF THE UNITED STATES OF MEXICO, IN EXERCISE OF UNCLASSIFIED

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THE FACULTY THAT IS GIVEN TO THE EXECUTIVE BY THE FRACTION I OF ARTICLE 89 OF THE GENERAL CONSTITUTION OF THE REPUBLIC, AND BASED ON CONSTITUTIONAL ARTICLE 27. AND ARTICLES 1, FACTIONS I, V, VIII AND IX, 2ND, 3RD, 4TH, 8TH, 10TH AND 20TH OF THE ORGANIC LAW OF THE FEDERAL PUBLIC ADMINISTRATION, 1ST AND OTHERS RELATED TO THE CENTRAL LAW OF CREDIT INSTITUTIONS AND AUXILIARY ORGANIZATIONS; AND

CONSIDERING

THAT THE PUBLIC SERVICE RELATING TO BANKING AND CREDIT HAS BEEN GIVEN IN CONCESSION BY THE FEDERAL EXECUTIVE, BY ADMINISTRATIVE CONTRACTS TO MORAL PERSONS CONSTITUTED IN THE FORM OF STOCK COMPANIES, IN ORDER TO CONTRIBUTE IN PROVIDING SERVICES THAT THE GOVERNMENT COULD NOT PROVIDE WHOLLY;

THAT THE CONCESSION, BY ITS OWN NATURE, IS TEMPORARY, SINCE IT CAN ONLY EXIST WHILE THE STATE, FOR ECONOMICAL, ADMINISTRATIVE OR SOCIAL REASONS, CANNOT DIRECTLY BE IN CHARGE OF PROVIDING THE PUBLIC SERVICE;

THAT THE PRIVATE ENTERPRISES TO WHOM THE SERVICE OF BANKING AND CREDIT HAS BEEN GIVEN AS CONCESSIONS, IN GENERAL HAVE OBTAINED EXCESSIVE GAINS BY EXPLOITING THE SERVICE, CREATING IN ADDITION, IN ACCORDANCE TO THEIR INTERESTS, MONOPOLISTIC PHENOMENA WITH THE MONEY BROUGHT BY THE PUBLIC IN GENERAL, WHICH HAS TO BE AVOIDED IN ORDER TO MANAGE THE BANKING SYSTEM'S ASSETS WITH CRITERIA OF GENERAL INTEREST AND OF SOCIAL DIVERSIFICATION OF CREDIT, IN ORDER

TO REACH THE MAJORITY OF THE PRODUCTIVE POPULATION AND TO AVOID CONTINUING CONCENTRATION OF CREDIT IN THE MORE PRIVILEGED LAYERS OF THE SOCIETY;

THAT THE EXECUTIVE IN MY CHARGE CONSIDERS THAT UNCLASSIFIED

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ACTION ARA-16

INFO OCT-00 COPY-01 ADS-00 AID-07 INR-10 EUR-12 SS-10 AF-10 CIAE-00 EB-08 EA-12 DODE-00 H-01 IO-15 EXIM-06 NEA-07 NSCE-00 NSAE-00 COME-00 SSO-00 HA-08 L-03 LAB-04 DOE-10 PM-09 OPIC-07 PA-02 CEA-01 OMB-01 STR-14 SIL-01 INRE-00 AGRE-00 FRB-01 JUS-01

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U UJUZI4Z SEP 8Z FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 3047

TREASURY WASHDC IMMEDIATE

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

USINT BAGHDAD

AMEMBASSY BRUSSELS

AMEMBASSY CAIRO

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AMCONSUL DHAHRAN

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MEXICO 12107 02 OF 05 030235Z PAGE 02

AMEMBASSY TOKYO

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AMEMBASSY SAN SALVADOR

AMEMBASSY SAN JOSE

AMCONSUL TORONTO

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AMEMBASSY TEGUCIGALPA

AMEMBASSY BELIZE

AMEMBASSY BERN ALL USCONS MEXICO POUCH

UNCLAS SECTION 02 OF 05 MEXICO 12107

DEPARTMENT PASS IMMEDIATE FEDERAL RESERVE BOARD, COMMERCE, AND EXPORT IMPORT BANK

IN THE PRESENT MOMENTS, THE PUBLIC ADMINISTRATION HAS SUFFICIENT ABILITY AND EXPERIENCE TO PROVIDE ENTIRELY THE PUBLIC SERVICE OF BANKING AND CREDIT, CONSIDERING THAT THE FUNDS COME FROM THE MEXICAN PEOPLE, INVESTORS AND SAVERS, TO WHOM IT IS NECESSARY TO FACILITATE ACCESS TO CREDIT;

THAT THE LACK OF DIVERSIFICATION OF CREDIT HAS NOT RESULTED SO MUCH FROM NOT HAVING GRANTED AN IMPORTANT PART OF THE CREDIT TO ANY ONE OR DETERMINED PERSONS BUT FROM A LACK OF TIMELY AND CHEAP CREDIT TO THE MAJORITY OF THE POPULATION, WHICH CAN BE AMENDED WITH THE CONTRIBUTION OF THE BANKING SYSTEM'S EMPLOYEES UNCLASSIFIED

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AND WITH THE CONFIDENCE OF THE INVESTING AND SAVING PUBLIC;

THAT THE PEOPLE OF MEXICO, WHO HAVE GIVEN THEIR MONEY AND VALUABLES TO THE BANKS FOR THEIR MANAGEMENT OR CUSTODY, AND WHO HAVE GENERATED THE ECONOMIC STRUCTURE THAT THESE PRESENTLY HAVE, ARE NOT ADVERSELY AFFECTED AND CAN CONTINUE TO RECEIVE THIS IMPORTANT PUBLIC SERVICE AND IN ORDER THAT THEIR RIGHTS ARE NOT AT ALL DIMINISHED, IT HAS BEEN DECIDED TO EXPROPRIATE FOR CAUSES OF PUBLIC NEED, THE POSSESSIONS OF THE PRIVATE CREDIT INSTITUTIONS;

THAT THE ECONOMIC CRISIS THAT MEXICO IS CURRENTLY FACING, WHICH IN LARGE PART HAS BEEN AGGRAVATED BY THE LACK OF DIRECT CONTROL OVER THE WHOLE CREDIT SYSTEM, ALSO FORCES THIS EXPROPRIATION IN ORDER TO MAINTAIN THE PUBLIC PEACE AND TO ADOPT THE NECESSARY MEASURES TO CORRECT INTERNAL DISORDERS RESULTING FROM THE APPLICATION OF A CREDIT POLICY THAT, HAS HURT THE INTERESTS OF THE COMMUNITY;

THAT THE FIRM AND SUSTAINED DEVELOPMENT WHICH THE COUNTRY NEEDS AND WHICH IS BASED IN LARGE PART ON DEMOCRATIC AND PARTICIPATIVE NATIONAL PLANNING, REQUIRES THAT DEVELOPMENT FINANCING AS WELL AS EXPENSES AND PUBLIC INVESTMENT, SUCH AS CREDIT, BE SERVED OR ADMINISTERED BY THE STATE, IN ORDER TO BE CONSISTENT WITH THE SOCIAL INTEREST AND PUBLIC ORDER, SO THAT DEVELOPMENT FINANCING AND PUBLIC INVESTMENT ARE MANAGED ACCORDING TO A STRATEGY OF DISTRIBUTION

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AND ORIENTATION OF THE PRODUCTIVE RESOURCES OF THE COUNTRY WHICH IS IN FAVOR OF THE GRAND MAJORITY OF THE PEOPLE;

THAT THE MEASURE DOES NOT HARM IN ANY CASE THE CREDITORS UNCLASSIFIED

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ACTION ARA-16

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FM AMEMBASSY MEXICO TO SECSTATE WASHDC IMMEDIATE 3048

TREASURY WASHDC IMMEDIATE

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

USINT BAGHDAD

AMEMBASSY BRUSSELS

AMEMBASSY CAIRO

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PAGE 02 MEXICO 12107 03 OF 05 030237Z

AMEMBASSY TOKYO

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AMEMBASSY SAN SALVADOR

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ALL USCONS MEXICO POUCH

UNCLAS SECTION 03 OF 05 MEXICO 12107

DEPARTMENT PASS IMMEDIATE FEDERAL RESERVE BOARD, COMMERCE, AND EXPORT IMPORT BANK

OF THE EXPROPRIATED CREDIT INSTITUTIONS, BECAUSE
THE FEDERAL GOVERNMENT, WHEN REASSUMING THE RESPONSIBILITY
OF THE PROVISION OF THE PUBLIC SERVICE, GUARANTEES
THE AMORTIZATION OF OPERATIONS CO
NTRACTED BY THE
SAID INSTITUTIONS;

THAT WITH THE SUPPORT OF THE BANKING LEGISLATION, THE EXECUTIVE, THROUGH THE SECRETARIAT OF FINANCE AND PUBLIC CREDIT, WILL TAKE THE NECESSARY ACTIONS FOR THE PROPER ORGANIZATION AND FUNCTIONING OF THE NEW SCHEME OF THE CREDIT SERVICE, SO THAT THE LENDING ACTIVITIES WILL NOT BE ADVERSELY AFFECTED, AND THAT THE BANKING EMPLOYEES AS WELL AS THE USERS OF THE UNCLASSIFIED

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SERVICE AND THE CREDITORS OF THE INSTITUTIONS MAINTAIN THEIR PRESENT RIGHTS WITHOUT ANY DETERIORATION;

THAT THE MEASURE THAT THE FEDERAL GOVERNMENT TAKES HAS THE OBJECTIVE OF FOSTERING A RECOVERY FROM THE ECONOMIC CRISIS WHICH THE NATION IS FACING AND, ABOVE ALL, TO ENSURE AN ECONOMIC DEVELOPMENT THAT ALLOWS US TO REACH, WITH EFFICIENCY AND EQUITY, THE GOALS THAT HAVE BEEN SET IN THE DEVELOPMENT PLANS; HAS HAD TO ISSUE THE FOLLOWING

DECREE

ARTICLE FIRST. - DUE TO PUBLIC NECESSITY THE FOLLOWING PROPERTY OF THE PRIVATE CREDIT INSTITUTIONS, TO WHOM CONCESSIONS HAD BEEN GRANTED FOR THE OFFERING OF BANKING AND CREDIT SERVICES, HAVE BEEN EXPROPRIATED IN FAVOR OF THE NATION: THE INSTALLATIONS, BUILDINGS, FURNITURE, EQUIPMENT, ASSETS, CASH, VAULTS, BRANCHES, AGENCIES, OFFICES, INVESTMENTS, SHARES OR PARTICIPATIONS THAT THEY HAVE IN OTHER ENTERPRISES, VALUES OF THEIR PROPERTY, RIGHTS AND ALL OTHER FURNITURE AND BUILDINGS, AS SOON AS NECESSARY AS JUDGED BY THE SECRETARIAT OF FINANCE AND PUBLIC CREDIT.

ARTICLE SECOND. - THE FEDERAL EXECUTIVE, THROUGH THE SECRETARIAT OF FINANCE AND PUBLIC CREDIT, PRIOR TO RECEIVING SHARES AND COUPONS FROM THE SHAREHOLDERS OF THE INSTITUTIONS TO WHICH FIRST ARTICLE REFERS TO, WILL PAY THE CORRESPONDING INDEMNIFICATION WITHIN A PERIOD THAT WILL NOT EXCEED 10 YEARS.

ARTICLE THIRD. - THE SECRETARIAT OF FINANCE AND PUBLIC CREDIT AND THE BANK OF MEXICO, WITH THE SUPERVISION FROM THE SECRETARIATS OF HUMAN SETTLEMENTS AND PUBLIC WORKS AND COMMERCE, WILL UNCLASSIFIED

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 3049

TREASURY WASHDC IMMEDIATE

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

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MEXICO 12107 04 OF 05 030238Z

AMEMBASSY TOKYO

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UNCLAS SECTION 04 OF 05 MEXICO 12107

DEPARTMENT PASS IMMEDIATE FEDERAL RESERVE BOARD, COMMERCE, AND EXPORT IMPORT BANK

TAKE IMMEDIATE POSSESSION OF THE EXPROPRIATED CREDIT INSTITUTIONS AND OF THEIR GOODS, SUBSTITUTING THE PRESENT ADMINISTRATIVE AND DIRECTIVE BODIES, AS WELL AS THE REPRESENTATIVES THAT THESE INSTITUTIONS HAVE IN ANY ASSOCIATION, INSTITUTION, ADMINISTRATION ORGAN OR TECHNICAL COMMITTEE, AND WILL TAKE THE NECESSARY ACTS SO THAT THE MIDDLE LEVEL OFFICERS AND, IN GENERAL, THE BANK EMPLOYEES, KEEP THE RIGHTS THAT THEY PRESENTLY HAVE, WITHOUT SUFFERING ANY ADVERSE EFFECTS FROM THE EXPROPRIATION THAT IS BEING DECREED.

ARTICLE FOURTH. - THE FEDERAL EXECUTIVE WILL GUARANTEE UNCLASSIFIED

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THE PAYMENT OF EACH AND EVERY CREDIT OBLIGATION THAT THE INSTITUTIONS REFERRED TO IN THIS DECREE HAVE.

ARTICLE FIFTH. - IT IS NOT THE OBJECT OF THIS EXPROPRIATION TO ATTACH THE MONEY AND VALUABLE PROPERTY BELONGING TO USERS OF THE SERVICES OFFERED BY THE BANKS OR IN SAFE BOXES, NOR THE FUNDS OR TRUSTS MANAGED BY THE BANKS, NOR THE REAL ESTATE AND FURNITURE WHICH IN GENERAL ARE NOT UNDER THE PROPERTY OR THE CONTROL OF THE INSTITUTIONS REFERRED TO IN FIRST ARTICLE; NOR THE NATIONAL INSTITUTIONS OF CREDIT, THE AUXILIARY ORGANIZATIONS OF CREDIT, NOR THE MIXED BANKS, NOR THE WORKERS BANK, NOR CITIBANK, N.A., NOR THE BRANCHES OF FOREIGN BANKS OF FIRST ORDER.

ARTICLE SIXTH. - THE SECRETARIAT OF FINANCE AND PUBLIC CREDIT WILL ENSURE THAT THE PUBLIC SERVICE OF BANKING AND CREDIT BE MAINTAINED CONVENIENTLY AND THAT IT CONTINUES UNDER THE SAME ADMINISTRATIVE STRUCTURES THAT WILL BECOME ENTITIES OF THE FEDERAL PUBLIC ADMINISTRATION, WHICH WILL HAVE TITLE TO THE CONCESSIONS, WITHOUT ANY VARIATION. FOR THIS PURPOSE, THE SECRETARIAT WILL RELY ON THE HELP OF A TECHNICAL CONSULTIVE COMMITTEE, CONSISTING OF REPRESENTATIVES DESIGNATED BY THE HEADS OF THE SECRETARIATS OF PROGRAMMING AND BUDGET, NATIONAL RESOURCES AND INDUSTRIAL DEVELOPMENT, LABOR, COMMERCE, FOREIGN AFFAIRS, HUMAN SETTLEMENTS AND PUBLIC

WORKS, AS WELL AS THE SECRETARIAT OF FINANCE AND PUBLIC CREDIT AND THE BANK OF MEXICO.

ARTICLE SEVENTH. - THIS NOTIFICATION TO THE REPRESENT-ATIVES OF THE INSTITUTIONS OF CREDIT CITED IN THIS DECREE IS TO BE PUBLISHED TWICE IN THE OFFICIAL UNCLASSIFIED

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ACTION ARA-16

INFO OCT-00 COPY-01 ADS-00 AID-07 INR-10 EUR-12 SS-10 AF-10 CIAE-00 EB-08 EA-12 DODE-00 H-01 IO-15 EXIM-06 NEA-07 NSCE-00 NSAE-00 COME-00 SSO-00 HA-08 L-03 LAB-04 DOE-10 PM-09 OPIC-07 PA-02 CEA-01 OMB-01 STR-14 SIL-01 INRE-00 AGRE-00 FRB-01 JUS-01 USIE-00 SP-02 DOEE-00 SPRS-02 /181 W

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 3050

TREASURY WASHDC IMMEDIATE

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

USINT BAGHDAD

AMEMBASSY BRUSSELS

AMEMBASSY CAIRO

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AMEMBASSY RABAT

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AMEMBASSY SANAA

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AMEMBASSY TOKYO

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AMEMBASSY BELIZE
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ALL USCONS MEXICO POUCH

UNCLAS SECTION 05 OF 05 MEXICO 12107

DEPARTMENT PASS IMMEDIATE FEDERAL RESERVE BOARD, COMMERCE, AND EXPORT IMPORT BANK

JOURNAL OF THE FEDERATION, WHICH WILL SERVE AS NOTIFICATION IN CASE THE INFORMATION HAS NOT BEEN RECEIVED AT THE RESIDENCES OF THE INTERESTED PEOPLE.

TRANSITORY ARTICLES

FIRST. - THE PRESENT DECREE WILL ENTER INTO EFFECT ON THE DAY OF ITS PUBLICATION IN THE OFFICIAL JOURNAL OF THE FEDERATION.

SECOND. - BANKING AND CREDIT SERVICES WILL BE SUSPENDED FOR UP TO TWO WORKING DAYS FROM THE UNCLASSIFIED

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EFFECTIVE DATE OF THIS DECREE IN ORDER TO ORGANIZE CONVENIENTLY WITH DUE ATTENTION TO THE USERS.

DONE AT THE RESIDENCE OF THE FEDERAL EXECUTIVE POWER, IN THE CITY OF MEXICO, FEDERAL DISTRICT, THE FIRST DAY OF THE MONTH OF SEPTEMBER OF ONE THOUSAND NINE HUNDRED EIGHTY TWO.

SIGNED BY THE ENTIRE CABINET, THE MAYOR OF THE FEDERAL DISTRICT, AND THE NEW DIRECTOR OF THE BANK OF MEXICO, CARLOS TELLO. END QUOTE.

DRAFTED BY B.J.GRIFFITHS. GAVIN

MEXICO 12109 01 OF 07 030459Z PAGE 01 ACTION ARA-16

INFO	OCT-00	COPY-01	ADS-00	AID-07	INR-10	EUR-12	SS-10		
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	L-03	LAB-04	DOE-10	PM-09	INSE-00	OPIC-07	PA-01		
	CEA-01	VO-05	OMB-01	STR-14	SIL-01	INRE-00	AGRE-00		
	FRB-03	USIE-00	JUSE-00	SP-02	DOEE-00	SPRS-02	/183 W		
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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 3053

TREASURY WASHDC IMMEDIATE

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

USINT BAGHDAD

AMEMBASSY BOGOTA

AMEMBASSY BRUSSELS

AMEMBASSY CAIRO

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

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AMEMBASSY MUSCAT

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY RABAT

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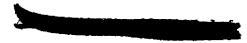
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DEPARTMENT PASS IMMEDIATE FEDERAL RESERVE BOARD, AGRICULTURE, COMMERCE, AND EXPORT IMPORT BANK

E.O. 12356: DECL:9/2/88
TAGS: EFIN, EGEN, MX, ALOW, AFSP, AFIN, PINT
SUBJECT: PRESIDENT LOPEZ PORTILLO'S LAST INFORME - AN
ANALYSIS

REF: MEXICO 12108 (NOTAL)

1.

2. SUMAMRY. THIS ANALYSIS COVERS THE MAJOR PORTIONS OF LOPEZ PORTILLO'S SIXTH STATE OF THE

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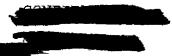
UNION MESSAGE. BY NATIONALIZING THE DOMESTIC, PRIVATE BANKS AND BY GENERALIZING EXCHANGE CONTROLS, JLP HAS TAKEN MEXICO SHARPLY TO THE LEFT. HE REPEATED HIS WELL-KNOWN DIFFERENCES WITH U.S. FOREIGN POLICY, PARTICULARLY CONCERNING CUBA AND CENTRAL AMERICA. END SUMMARY.

- 3. ECONOMIC. LOPEZ PORTILLO'S NATIONALIZATION OF THE BANKS AND THE GENERALIZATION OF FOREIGN EXCHANGE CONTROLS CONSTITUTE A SHARP TURN TO THE LEFT. THIS ISAMOVE AWAY FROM A MARKET-ORIENTED AND OPEN ECONOMY TO A CLOSED AND MORE SOCIALISTIC ECONOMY. LOPEZ PORTILLO MIGHT WANT TO RENEGOTIATE WITH THE IMF OR COULD POSSIBLY TRY TO COPE WITH MEXICO'S ECONOMIC PROBLEMS WITHOUT IMF ASSISTANCE. HIS UNDERSTANDING WITH USG OFFICIALS MAY REQUIRE RECONSIDERATION.
- 4. THE BULK OF THE INFORME WAS DEVOTED TO A RATIONALIZATION OF HIS ECONOMIC POLICIES TO SET-UP HIS AUDIENCE FOR THE BOMBSHELLS WHICH WERE TO COME. IN DOING THIS, THE PRESIDENT DID NOT HESITATE TO BLAME EXTERNAL FACTORS SUCH AS HIGHER INTEREST RATES (FROM 6 PERCENT IN 1978 TO AS MUCH AS 20 PERCENT IN 1981) AND A SHARP DETERIORATION IN PRICES FOR MANY BASIC AND "CLASSIC" EXPORTS SUCH AS OIL, COFFEE, SILVER, COPPER, AND COTTON. AT THE SAME TIME, LOPEZ PORTILLO DEFENDED HIS OWN POLICIES ("WE HAVE NOT SINNED"), SUCH AS PUBLIC SECTOR SPENDING, INVESTMENTS IN GOVERNMENT-OWNED COMPANIES TO



SPUR DEVELOPMENT, AND THE GENERAL WAGE INCREASE GRANTED IN MARCH OF THIS YEAR.

5. WHILE ADMITTING TO SOME DEFICIENCIES IN INTERNAL POLICIES, LOPEZ PORTILLO PLACED THE



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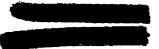
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DEPARTMENT PASS IMMEDIATE FEDERAL RESERVE BOARD, AGRICULTURE, COMMERCE, AND EXPORT IMPORT BANK

INTERNATIONAL ECONOMIC SYSTEM AND, IN ESSENCE, ON CAPITAL FLIGHT BY MEXICAN FIRMS AND INDIVIDUALS, AND ESPECIALLY THE PRIVATE BANKS. THE LATTER WAS AN ABUSE THAT COULD ONLY BE CORRECTED BY THE STATE TAKING OVER THE CONTROL OF THE NATION'S CREDIT APPARATUS AND BY MONOPOLIZING, IN THE STATE'S HANDS, FOREIGN EXCHANGE TRANSACTIONS. HE IMPLIED THAT THE STATE CAN DO A BETTER JOB OF ALLOCATING CREDIT AND FOREIGN EXCHANGE THAN THE MARKET PLACE. ALSO IMPLICIT IS THAT THE STATE'S ACTION WILL RESULT IN GREATER RESOURCES



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FOR INVESTMENT THAN WOULD OTHERWISE BE THE CASE. JLP SAID SPECULATION AND THE LIVING OFF CAPITAL (RENTISMO) ENRICH A FEW AND PRODUCE NOTHING.

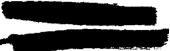
OTHER THAN THE NATIONALIZATION AND EXCHANGE CONTROLS, LOPEZ PORTILLO HAD LITTLE TO OFFER IN THE WAY OF COMPLEMENTARY ECONOMIC POLICIES. HE REFERRED VAGUELY TO THE FOUR-POINT PACKAGE NEGOTIATED IN WASHINGTON OVER THE AUGUST 14-15 WEEKEND. IN THIS CONTEXT HE SAID MEXICANS HAD "INITIATED TALKS WITH THE IMF" BUT GAVE NO CURRENT STATUS REPORT. THIS APPEARS TO BE A VERY WEAK PUBLIC COMMITMENT TO CONCLUDING AN AGREEMENT WITH THE IMF. HE DID NOT MENTION THE FEDERAL RESERVE BOARD OR TREASURY BY NAME. HE REFERRED TO THE APRIL 1982 ADJUSTMENT PROGRAM AS "WORKING", WHICH IT CLEARLY IS NOT. HE DID NOT MENTION WAGE POLICY, BUT ANNOUNCED THAT BANK EMPLOYEES WILL BE PERMITTEDTOUNIONIZE. THE FEW SPECIFICS INCLUDED A CALL TO THE MEXICAN CONGRESS TO WORK WITH THE U.S. CONGRESS TOWARD THE ESTABLISHMENT OF A SYSTEM WHEREBY MEXICAN CAPITAL FLIGHT CAN BE STOPPED, MORE OR LESS AS A QUID PRO QUO FOR GOM EFFORTS TO SLOW EXPORTS OF DRUGS AND ILLEGAL WORKERS. IN THIS REGARD, THE PRESIDENT SAID HE HAD LISTS PRESUMABLY OF MEXICANS WHO INVESTED ABROAD. SOME FEAR THE GOM MIGHT UNDERTAKE A WITCH-HUNT.

7. THE PLANS TO NATIONALIZE MEXICAN PRIVATE

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BANKS AND INSTITUTE GENERALIZED EXCHANGE CONTROLS REPRESENT A DRAMATIC TURN IN GOM POLICY FOR WHICH THERE IS NO EASY EXPLANATION. THROUGHOUT THE LOPEZ PORTILLO ADMINISTRATION THE "ORTHODOX" AND "EXPANSIONIST" ECONOMIC ADIVSORS HAVE FOUGHT



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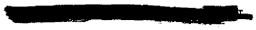


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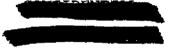


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EACH OTHER TO GAIN THE PRESIDENT'S EAR. THE APRIL 20 ADJUSTMENT PROGRAM WAS INTERPRETED AS A VICTORY FOR THE ORTHODOX SCHOOL CENTERED IN THE BANK OF MEXICO AND THE TREASURY. THE SEPTEMBER 1 ANNOUNCEMENT IS CLEARLY A VICTORY FOR THE EXPANSIONIST IDEAS OF WHICH CARLOS TELLO, NOW DIRECTOR GENERAL OF THE BANK OF MEXICO, IS ONE OF THE STRONGEST PROPONENTS.

8. THE PRESIDENT'S DECLARATIONS UNDOUBTEDLY REFLECT HIS OWN PERSONAL CONCERNS. RATHER THAN



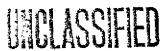
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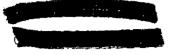
GO INTO MEXICAN HISTORY AS THE PRESIDENT WHO RUINED THE NATION'S ECONOMY, HE MAY VIEW HIS ACTION AS AKIN TO THAT OF LAZARO CARDENAS' NATIONALIZATION OF THE FOREIGN OIL COMPANIES IN 1938, HOWEVER DIFFERENT THE CIRCUMSTANCES. THIS AROUSED A GREAT PATRIOTIC FERVOR AND JLP IS HOPING FOR A SIMILAR RESPONSE, HOWEVER DIFFERENT THE CIRCUMSTANCES.

- 9. U.S.-MEXICO RELATIONS.
- JLP SAID MAINTENANCE OF GOOD RELATIONS WITH THE U.S. IS "A CORNERSTONE" OF MEXICAN FOREIGN RELATIONS. (COMMENT. IF WE RECALL CORRECTLY, HE USED TO CHARACTERIZE IT AS "THE" CORNERSTONE.) TO THE DEGREE THAT THERE HAS BEEN MUTUAL RESPECT, RELATIONS HAD BEEN POSITIVE OVER THE SEXENNIUM; HE CITED AS INSTANCES OF THIS COOPERATION AGAINST DRUG TRAFFICKING AND CONTRABAND.
- JLP THEN TURNED HIGHLY CRITICAL OF THE U.S., ACCUSING US OF WANTING MEXICO TO EXPORT MORE GAS AND PETROLEUM AND FEWER MANUFACTURED GOODS. HE SAID THAT ALTHOUGH MEXICO IS ONE OF THE MOST DEVELOPED OF THE DEVELOPING COUNTRIES, THE U.S. WANTS TO TREAT IT AS AN UNDERDEVELOPED COUNTRY.
- CERTAIN ASPECTS OF THE ECONOMIC RELATIONSHIP--TUNA, COUNTERVAILING DUTIES, CUSTOMS BARRIERS,



GATT ACCESSION--HAD BEEN NEGOTIATED, BUT WITHOUT EITHER "GREAT ADVANCES OR SAD DEFEATS."

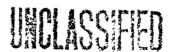
THE POLITICAL RELATIONSHIP, ON THE OTHER HAND, HAD UNDERGONE A TRANSFORMATION OF "RADICAL IMPORTANCE," IN THAT THE U.S. FOR THE FIRST TIME IN HISTORY "SOUGHT" TO DISCUSS



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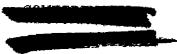
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WITH MEXICO, SUCH NON-BILATERAL MATTERS AS UN SECURITY COUNCIL ISSUES, CENTRAL AMERICAN AND CARIBBEAN PROBLEMS, THE FALKLAND CRISIS, AND THE GLOBAL NEGOITATIONS.

- ON ILLEGAL MIGRANTS, JLP SAID MEXICO WILL NOT ATTEMPT TO RESTRICT THE CONSTITUTIONAL LIBERTY OF MEXICANS TO LEAVE THE COUNTRY AND WILL NEVER AGREE TO PATROL ITS BORDERS.

10. INTERNATIONAL RELATIONS

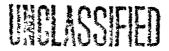


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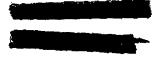
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- JLP, AS IN PAST INFORMES, LAMENTED THE END OF DETENTE, AND PROCLAIMED THAT THE CURRENT PERIOD IS THE MOST DANGEROUS FOR PEACE SINCE THE END OF THE WORLD WAR. HE EXPRESSED HIS "GREAT PRIDE" AT HAVING CHANGED MEXICO'S FOREIGN POLICY ROLE FROM THAT OF A SPECTATOR TO THAT OF AN ACTOR, REFERRING TO HIS TWO MAJOR INITIATIVES FOR THE ESTABLISHMENT OF A NEW INTERNATIONAL ECONOMIC ORDER--THE WORLD ENERGY PLAN AND THE CANCUN SUMMIT.
- OAS. MEXICO SUPPORTS THE OAS, HE SAID, BECAUSE IT OFFERS LATIN AMERICAN COUNTRIES A FORUM FOR NEGOTIATING MULTILATERALLY, RATHER THAN BILATERALLY, WITH THE U.S.
- CARIBBEAN AND CENTRAL AMERICA. JLP SAID
 MEXICO HAS TRIED TO RECONCILE WHAT SEEMS IRRECONCILABLE: ITS SUPPORT FOR THE "NOBLE STRUGGLES"
 IN THE HEMISPHERE AND ITS MAINTENANCE OF GOOD
 RELATIONS WITH THE U.S. HE NOTED THAT MEXICAN
 AID TO THE REGION FROM 1980-82-EQUALLED THE
 AMOUNT PROPOSED BY THE U.S. FOR THE CBI, AND
 GIVEN THE DIFFERENCE IN SIZE OF THE ECONOMIES,
 MEXICO'S DEEDS ARE WHAT GIVES IT "MORAL AUTHORITY"
 IN FACING THE GREAT POWER.
- NICARAGUA. HE EMPHASIZED HIS PRIDE AT GOM SUPPORT FOR NICARAGUA AND ASKED THAT NICARAGUA



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BE LEFT TO SETTLE ITS OWN PROBLEMS WITHOUT THREAT OF ARMED INTERVENTION OR ECONOMIC PRESSURES. HE POINTEDLY PARAPHRASED ABRAHAM LINCOLN THAT "NO COUNTRY IS SO GOOD THAT IT CAN INTERVENE IN ANOTHER WITHOUT CONSENT." THIS SEGMENT OF HIS SPEECH BROUGHT TWO



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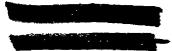
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DEPARTMENT PASS IMMEDIATE FEDERAL RESERVE BOARD, AGRICULTURE, COMMERCE, AND EXPORT IMPORT BANK

ROUNDS OF APPLAUSE AND THE LARGE CLAQUE OF INVITED SANDINISTAS ROSE AND TOOK A BOW FOR THE TV CAMERAS.

- CUBA. JLP SAID THAT SINCE 1980 HE HAS ATTEMPTED TO END THE "ABSURD SILENCE" BETWEEN THE U.S. AND CUBA. THE "THREATS, OSTRACISM AND UNACCEPTANCE OF 23 YEARS OF REALITY," HE SAID, DOES NOT CORRESPOND TO THE "BEAUTIFUL TRADITION OF LIBERTY AND TOLERANCE OF THE AMERICAN PEOPLE."



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11. SPECIAL INTERPARLIAMENTARY MEETING.

LATE IN HIS ADDRESS, JLP SAID THAT THE GOM HAS SOME DATA AND LISTS ON MEXICAN INVESTMENTS IN REAL ESTATE AND DEPOSITS IN U.S. FINANCIAL INSTITUTIONS WHICH HE WAS MAKING AVAILABLE TO THE MEXICAN CONGRESS. HE SUGGESTED TO THEM THE ADVISABILITY OF MEETING WITH U.S. CONGRESSMEN ON THESE INVESTMENTS IN THE U.S. AND NOTED THAT THE PROB LEM "IS MUCH MORE GRAVE FOR US THAN DRUG TRAFFICKING IS FOR THEM." RHETORICALLY HE ASKED, "WHY WOULD WE NOT EXPORT WORKERS, IF THE CAPITAL THAT COULD GIVEN THEM EMPLOYMENT HERE, IS THERE?" WE SEE THIS AS AN IMPLIED THREAT TO DO NOTHING TO COOPERATE WITH US ON ILLEGAL IMMIGRATION (AND PERHAPS NARCOTICS CONTROL) UNLESS THE U.S. IS WILLING TO DEVISE MEASURES TO INDUCE THE RETURN OF MEXICAN CAPITAL TO THE U.S. AND/OR PROHIBIT FUTURE MEXICAN PRIVATE INVESTMENT IN THE U.S. OBVIOUSLY THIS IS UNREALISTIC. WE RECOMMEND THAT THE USG MAKE NO ATTEMPT TO ADDRESS THE REQUEST, BUT WAIT FOR THE MEXICAN CONGRESS TO APPROACH OUR LEGISLATORS, IF THEY DECIDE TO DO SO.

12. LABOR

THE PRESIDENT SAID FAR LESS ON LABOR MATTERS THAN WAS EXPECTED. FROM A LABOR STANDPOINT, HIS MOST SIGNIFICANT MOVE WAS TO CLEAR THE WAY FOR UNIONIZATION OF BANK EMPLOYEES--LONG A GOAL OF ORGANIZED LABOR. THIS WILL NOT PUT ANY MONEY IN THE POCKETS OF THE LABOR FORCE, BUT IT

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HAS GREAT APPEAL TO THE LEFT AND LABOR LEADERSHIP, AND CONTRIBUTED TO THE GENERALLY ENTHUSIASTIC REVIEWS HE RECEIVED IN THE SEPTEMBER 2 PRESS.

ON THE OTHER HAND, THE PRESIDENT FOR UNDETERMINED REASONS DID NOT ANNOUNCE WAGE INCREASES FOR THE MILITARY



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OR THE PUBLIC SECTOR AS HAS BEEN THE CUSTOM, AND DID NOT ANNOUNCE ANY NEW WAGE POLICY.

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 3058

TREASURY WASHDC IMMEDIATE

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

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AMEMBASSY CARACAS

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AMEMBASSY RABAT

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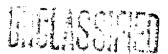
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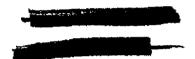


SECTION 06 OF 07 MEXICO 12109

DEPARTMENT PASS IMMEDIATE FEDERAL RESERVE BOARD, AGRICULTURE, COMMERCE, AND EXPORT IMPORT BANK

LOPEZ PORTILLO DID REFER FREQUENTLY TO THE CREATION OF JOBS AS A MAJOR ACCOMPLISHMENT OF HIS ADMINISTRATION. HE CLAIMED TO HAVE CREATED 4.258 MILLION NEW JOBS AND TO HAVE REDUCED UNEMPLOYMENT FROM 8.1 PERCENT AT THE BEGINNING OF HIS ADMINISTRATION TO 4.5 PERCENT (LITTLE DIFFERENCE FROM LAST YEAR'S CLEARLY ARTIFICIAL FIGURE, THE SOURCE AND METHODOLOGY OF WHICH WE HAVE NEVER BEEN ABLE TO DETERMINE).

13. AGRICULTURE



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PAGE 03

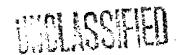
MEXICO 12109 06 OF 07 030508Z

LOPEZ PORTILLO WAS WRONG IN CLAIMING SUCCESS FOR HIS AGRICULTURE PROGRAM.

HE TOOK CREDIT FOR HAVING ACHIEVED SELF-SUFFICIENCY IN CORN, BEANS, WHEAT AND RICE IN CY 1981. OUR DATA SHOW THAT THIS IS PATENTLY UNTRUE. IN CY 1982, SELF-SUFFICIENCY WAS ACHIEVED FOR BEANS, WHEAT AND RICE - BUT NOT CORN. IN FACT, MEXICO IMPORTED ABOUT 600,000 METRIC TONS OF CORN FROM THE US IN CY 1982 AND STILL HAD TO DRAW DOWN ITS STOCKS TO MEET DEMAND. WE BELIEVE HE OVERSTATED THE CORN, BEAN AND RICE CROPS BY 18, 13 AND 40 PERCENT, RESPECTIVELY.

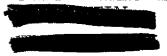
THE HIGH GUARANTEED PRICES PAID TO FARMERS, AND SUBSIDIZED PRICES FOR FARM INPUTS, HELPED MARKEDLY TO BOOST
CROP PRODUCTION IN 1982. BUT NEAR-PERFECT GROWING
CONDITIONS - AN UNUSUAL OCCURRENCE IN DROUGHT-PRONE MEXICO WERE THE REAL DETERMINANTS OF THE GOOD HARVEST THIS YEAR.
IT IS UNLIKELY THAT THE GOM WILL BE ABLE TO CONTINUE TO
SUBSIDIZE FARM PRODUCTION AT THE SAME HIGH LEVELS FOR AT
LEAST TWO OR THREE YEARS.

THE LATEST GUARANTEED PRICES PAID TO FARMERS ARE MORE THAN 20 PERCENT BELOW THE LEVEL THAT WOULD BE NECESSARY TO COMPENSATE FOR INFLATION. WE HAVE TO CONCLUDE THAT THE LIKELIHOOD OF A DROUGHT IN THE NEAR FUTURE, AND SEVERE BUDGETARY RESTRICTIONS WILL VISIBLY CUT BACK PROGRESS TOWARD SELF-SUFFICIENCY. CONSEQUENTLY, MEXICO WILL CONTINUE TO BE HEAVILY DEPENDENT ON U.S. FARM CROPS AND LIVESTOCK TO FEED ITS PEOPLE.



14. PRESS COVERAGE

AS MIGHT BE EXPECTED, ALL MEXICAN DAILIES--INCLUDING CONSERVATIVE EL HERALDO AND NOVEDADES--CARRIED EDITORIALS PRAISING THE ACTIONS OF THE PRESIDENT. LESS EXPECTED WAS THE PROMINENT NEWS COVERAGE GIVEN DISSENTING REMARKS BY



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CARLOS ABEDROP DAVILA, PRESIDENT OF THE MEXICAN BANKERS' ASSOCIATION, MANUEL CLOUTHIER, CHAIRMAN OF THE BUSINESS-

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PAGE 01 MEXICO 12109 07 OF 07 030510Z ACTION ARA-16

AID-07 INFO OCT-00 COPY-01 ADS-00 INR-10 EUR-12 SS-10 AF-10 CIAE-00 EB-08 EA-10 DODE-00 H-01 IO-15 EXIM-06 NEA-06 NSCE-00 NSAE-00 COME-00 SSO-00 HA-08 LAB-04 DOE-10 PM-09 INSE-00 OPIC-07 PA-01 SIL-01 INRE-00 DOEE-00 SPRS-02 CEA-01 VO-05 OMB-01 STR-14 INRE-00 AGRE-00 USIE-00 JUSE-00 SP-02 FRB-03 /183 W -----011335 030540Z /11

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 3059.

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PAGE 02

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AMEMBASSY ROME

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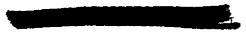
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ALL USCONS MEXICO POUCH

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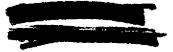
SECTION 07 OF 07 MEXICO 12109

DEPARTMENT PASS IMMEDIATE FEDERAL RESERVE BOARD, AGRICULTURE, COMMERCE, AND EXPORT IMPORT BANK

MENS' COORDINATING COUNCIL, AND LEADERS OF THE PAN AND PDM. A NUMBER OF CRITICAL RESPONSES BY COLUMNISTS ALSO APPEARED, MOST NOTAB LY A DETAILED DISSENT BY WIDELY-READ BUSINESS WRITER JOSE PEREZ STUART IN EXCELSIOR.

15. PROJECTION

THE GOM'S SHIFT IN ECONOMIC POLICY AND CHANGE OF AT LEAST ONE KEY ADVISOR (TELLO FOR MANCERA), WITH OTHER CHANGES LIKELY, MAY WELL LEAD TO A REVISION OF OTHER ASPECTS OF MEXICO'S ECONOMIC STRATEGY. FOR EXAMPLE, THE GOM MAY WANT



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TO RE-EXAMINE WHATEVER AGREEMENT IT WAS CLOSE TO REACHING WITH THE IMF. THE SWAPS WITH THE BIS AND THE USG MAY BE IN JEOPARDY.

- 16. LOPEZ PORTILLO'S NEW POLICIES ARE UNLIKELY TO HELP THE ECONOMY. SPECULATION AND DISINVESTMENT WILL INCREASE. EMPLOYMENT WILL DECLINE; MIGRATION OF SKILLED WORKERS (AS WELL AS THE UNSKILLED) WILL RISE. THE RISK OF GOM OFFICIALS MOVING EVEN FURTHER TO A CLOSED, "SEIGE" ECONOMY WILL ALSO INCREASE. CORRUPTION WILL WORSEN. DEFAULT ON THE EXTERNAL DEBT COULD BE ONE RESULT.
- THE UNHAPPY IMPLICATIONS OF THE PRESIDENT'S DECISIONS FOR DE LA MADRID'S ADMINISTRATION ARE COVERED IN REFTEL. WE ARE TOLD THAT MMH LEARNED OF THE DECISIONS ONLY A FEW HOURS BEFORE IT WAS ANNOUNCED, AND THAT HE DID NOT SUPPORT THEM. THE PRESIDENT'S MOVE RUNS DIRECTLY COUNTER TO MMH'S EXPRESSED INTEREST IN DIVESTING THE GOM OF SOME PARASTATAL INSTITUTIONS AND MAKING HIS GOVERNMENT MORE EFFICIENT. MOREOVER, MMH IN HIS EARLIER YEARS AS A CABINET MEMBER ALWAYS TENDED TO SIDE WITH THE MORE CON-SERVATIVE GROUP AND LOOK WITH SKEPTICISM AT THE POPULIST PROPOSALS OF THOSE WHO PUT "SOCIAL JUSTICE" AS THE COUNTRY'S NUMBER 1 PRIORITY. HE ATTENDED THE STATE OF THE UNION ADDRESS AND APPLAUDED POLITELY, THOUGH WITHOUT ENTHUSIASM. SUBSEQUENT TO THE SPEECH, MMH AVOIDED DIRECT ASSOCIATION WITH THE PRESIDENT'S DECISIONS, BUT EXPRESSED HIS GENERAL SUPPORT FOR ANY MEASURES THAT MIGHT BE NECESSARY TO LEAD THE COUNTRY OUT OF

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ECONOMIC "CHAOS." WHATEVER HIS PRIVATE VIEWS MAY HAVE BEEN, MMH WILL NOT FIND IT EASY TO REVISE JLP'S LAST MINUTE MOVES, NOR TO RESTORE THE SHATTERED CONFIDENCE IN MEXICO OF THE FINANCIAL WORLD. (DRAFTED BY:POL: WILKINSON, POL:THURMAN, ECON:PASCOE, AGR:MONTEL, USIS:ZUCKERMAN) GAVIN



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FM AMEMBASSY MEXICO.
TO SECSTATE WASHDC IMMEDIATE 2722
ALL USCONS MEXICO POUCH

EXECTION 01 OF 02 MEXICO 11522

E.O. 12356: DECL: 08/20/88

TAGS: PINT, EFIN, MX

SUBJECT: MEXICO REMAINS CALM IN SPITE OF ECONOMIC CRISIS

REF: (A) MEXICO 10977

- 1. SUMMARY. SINCE REFTEL SURFACE CALM HAS CONTINUED TO PREVAIL THROUGHOUT COUNTRY IN SPITE OF ECONOMIC CRISIS, WITH SECTOR LEADERS STILL EXPRESSING PUBLIC SUPPORT FOR GOVERNMENT ACTIONS. GOM MAY HAVE UNDERTAKEN SOME PREVENTIVE MEASURES AGAINST POSSIBLE DISTURBANCES, BUT THERE ARE NO OVERT SIGNS OF TROUBLE. PRIVATE CITIZENS ARE REELING FROM FINANCIAL SHOCK, BUT MOST ACCEPT NEED FOR GOM MEASURES, HOWEVER PAINFUL. POLITICAL LEFT HAS THROWN FULL SUPPORT BEHIND EXCHANGE CONTROLS, BUT IS PREDICTABLY CRITICIZING RESORT TO INTERNATIONAL MONETARY FUND (IMF). END SUMMARY.
- 2. DESPITE THE FINANCIAL ANGUISH OF THE LAST TWO WEEKS' EVENTS FOR THE MIDDLE AND UPPER CLASS AND FOR BORDER RESIDENTS, THE COUNTRY REMAINS STABLE AND CALM, WITH ALL LEADING SECTORS OF SOCIETY CALLING FOR NATIONAL UNITY IN SUPPORT OF THE GOVERNMENT'S EFFORTS TO ALLEVIATE



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MEXICO'S FINANCIAL CRISIS. RECENTLY, THE CATHOLIC CHURCH AND OTHER RELIGIOUS GROUPS JOINED THE CHORUS OF SUPPORTERS. THE REVEREND FRANCISCO RAMIREZ MEZA, EXECUTIVE SECRETARY OF THE EPISCOPAL COMMISSION FOR SOCIAL COMMUNICATION, STATED THAT THROUGH UNITY MEXICANS CAN OVERCOME THE PRESENT ECONOMIC CRISIS, AND CALLED ON THE COMMUNICATIONS MEDIA NOT TO DEAL IN RUMORS. EVEN LEFT-LEANING BISHOP MENDEZ ARCEO OF CUERNAVACA REFRAINED FROM CRITICIZING MEXICO'S "ESTABLISHMENT" FOR THE CRISIS, STRESSING ONLY THAT ALL SHOULD JOIN IN EFFORTS TO OVERCOME ITS TERRIBLE EFFECTS.

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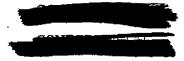
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ALL MEXICANS ARE UPSET WITH THE IMPACT THE GOM MEASURES WILL HAVE ON THEIR LIVES. SOME CLEVER SPECULATORS MAY HAVE PROFITED FROM EXCHANGE MANIPULATION. MANY OTHERS. HOWEVER, HAVE SUFFERED SEVERELY. THE LATTER GROUP IS REELING FROM COMBINED IMPACT OF DEVALUATION AND THE EFFECTIVE 40-50 PERCENT LOSS THEY HAVE JUST SUSTAINED ON DOLLAR ACCOUNTS THAT MANY OF THEM KEPT FOR VARIOUS PURPOSES; E.G., TRAVEL. ONE CONTACT COMPARED THE SITU-ATION TO THE BREAKING OF A FLOOD GATE: PEOPLE ARE FROZEN WITH SHOCK, BUT DON'T YET KNOW WHICH WAY TO RUN. OTHERS HAVE REACTED WITH GRIM IRONY, COMPARING "MEX-DOLLARS" TO MONOPOLY MONEY, ETC. ALL REMAIN INCENSED AT THE ADMINIS-TRATION'S PATCHWORK MISHANDLING OF THE ECONOMY, BUT SOME SHOW CLEAR RELIEF THAT THE GOVERNMENT HAS NOW (FINALLY) GONE TO THE IMF, AND ADMIT THAT THEY THEMSELVES MUST FACE SOME RETRENCHMENT AFTER LIVING "PRETTY WELL" OVER THE LAST FIVE YEARS. WE ARE STILL NOT AWARE OF ANY TALK OF EXTRA-CONSTITUTIONAL SOLUTIONS.

4. LABOR LEADERS ARE ALSO CONTINUING TO IMPOSE RESTRAINT ON THEIR RANKS AND TO SUPPORT GOVERNMENT MEASURES. CALLS



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FOR WAGE INCREASES, SOONER OR LATER, HAVE BEEN COUCHED IN COMPROMISING TERMS RATHER THAN BEING EXPRESSED AS OUTRIGHT DEMANDS. VICTOR CERVERA PACHECO, DIRECTOR OF THE NATIONAL CONFEDERATION OF CAMPESINOS (CNC) STATED THAT THE GOM'S ECONOMIC MEASURES, FAR FROM PROVOKING VIOLENCE IN THE RURAL AREAS, HAVE THE FULL SUPPORT OF THE CAMPESINO SECTOR. HE CONTINUED THAT CNC MEMBERS SHOULD NOT SUFFER FROM THE RECENT MONETARY ACTIONS, AND A PROJECTED UPWARD REVISION OF PRICES OF AGRICULTURAL PRODUCTS ON OCTOBER 2 SHOULD HELP AVOID A FALL IN THE REAL WAGES OF AGRICULTURAL WORKERS. REPRESENTATIVES OF THE CONFEDERATION OF MEXICAN WORKERS (CTM) STATED THAT A TOTAL CONTROL OF EXCHANGE RATES WAS NEEDED, AND EXPRESSED SUPPORT OF THE IDEA OF CREATING WITHIN THE NATIONAL BANK OF MEXICO A BRANCH IN CHARGE OF REGULATING THE FLOW OF DOLLARS.

5. LABOR MAY SOON SEEK SOME RELIEF, HOWEVER. THE LABOR CONGRESS (CT) ANNOUNCED THAT ORGANIZED LABOR WOULD SEEK A PROMPT WAGE INCREASE OF AT LEAST 9 PERCENT, BECAUSE THIS IS THE PERCENTAGE BY WHICH THE WORKERS' BUYING POWER WAS AFFECTED DUE TO THE GOVERNMENT'S AUGUST 1 PRICE INCREASES. FURTHER, THE CONGRESS MAINTAINED THAT THE EFFECTS OF THE LATEST DEVALUATION WOULD HAVE TO BE TAKEN INTO CONSIDERATION. HOWEVER, THE PRESIDENT OF THE CONGRESS ANNOUNCED, AFTER A MEETING WITH FIDEL VELAZQUEZ (CTM), WITH ANGEL OLIVO SOLIS OF THE REVOLUTIONARY WORKERS CONFEDERATION (COR), AND WITH NAPOLEON GOMEZ SADA OF THE METALLURGICAL MINERS UNION, THAT THE SALARY ADJUSTMENT WOULD NOT BE AN OUTRIGHT LABOR DEMAND. RATHER, IT SHOULD BE ARRIVED AT THROUGH AN ACCORD BETWEEN LABOR AND BUSINESS



AND THE EXEUCTIVE BRANCH OF GOVERNMENT. THIS WOULD SUGGEST THAT NO IMMEDIATE WAGERISE IS IN THE OFFING.



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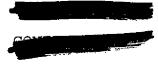
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- ACCORDING TO ONE LOW-LEVEL REPORT, POLICE IN MEXICO CITY HAVE BEEN GATHERING UP A FEW POSSIBLE TROUBLEMAKERS. AN ACTION WHICH APPEARS TO BE TAKING PLACE MORE AS A PREVENTIVE MEASURE RATHER THAN AS A RESPONSE TO IMPEND-ING ANTI-GOVERNMENT ACTIVITY. THE RELATIVE ALERTNESS OF LOCAL POLICE WAS ALSO EVIDENT BY A QUICK, UNSOLICITED RESPONSE TO A SMALL (100 PLUS) ANTI-ISRAELI DEMON-STRATION IN FRONT OF EMBASSY LATE ON AUGUST 19. ALSO BEEN SUGGESTED THAT RECENT MEXICAN TROOP MOVEMENTS IN THE NORTH MAY HAVE BEEN INTENDED TO THWART ANY SIGNS OF POSSIBLE DISAFFECTION IN PAN STRONGHOLDS (AS WELL AS POSSIBLE EARLY REDEPLOYMENTS FOR SEPTEMBER 16 CELEBRATIONS). WHETHER OR NOT DETERRENCE WAS NECESSARY TO KEEP FULL CIVIL ORDER, CONGEN REPORTS INDICATE THAT REACTIONS IN MONTERREY HAVE BEEN A CAUTIOUS, WAIT-AND-SEE ATTITUDE, AS IN MEXICO.
- 7. ALTHOUGH THE LEFT HAS GENERALLY SUPPORTED EXCHANGE CONTROLS, IT HAS LEVELLED SHARP CRITICISM AGAINST THE GOM'S APPROACH TO THE INTERNATIONAL MONETARY FUND (IMF). THE LEFT HAS CHARACTERIZED THE MOVE VARIOUSLY AS A

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SELL-OUT OF MEXICAN SOVEREIGNTY TO U.S. "IMPERIALISM," AS



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A BURDEN TO WORKERS (SINCE BOTH WAGES AND PRICES CAN BE AFFECTED THROUGH IMF CONTROLS), AND/OR AS UNNECESSARY, ON THE GROUNDS THAT THE CRISIS CAN BE CONTROLLED THROUGH DOMESTIC FINANCIAL MEASURES. PAN HAS GONE SO FAR AS TO CALL FOR THE RESIGNATION OF THE CABINET, CLAIMING THAT IT HAS FAILED TO CONDUCT THE AFFAIRS OF THE COUNTRY PROPERLY. (DRAFTED: ROMAN POPADIUK/THEODORE S. WILKINSON) SHANKLE

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MEXICO 12880 01 OF 02 2200232 PAGE 01 ACTION SS-25

/026 W INFO OCT-00 COPY-01 ADS-00 SSO-00 220102Z /73 -----326240

P 220009Z SEP 82 FM AMEMBASSY MEXICO
TO SECSTATE WASHDC PRIORITY 3502 TREASURY WASHDC PRIORITY TREASURY WASHDC PRIORITY USDOC WASHDC PRIORITY INFO AMCONSUL MONTERREY

SECTION 01 OF 02 MEXICO 12880

DEPARTMENT PASS PRIORITY FEDERAL RESERVE BOARD AND EXPORT IMPORT BANK

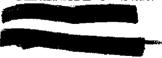
E.O. 12356: DECL: 9/20/88

TAGS: EFIN, EGEN, MX

SUBJECT: MEXICO: INTEREST RATES AS A TOOL TO GENERATE

DOMESTIC SAVINGS

(C) BEGIN SUMMARY: THIS CABLE TRANSMITS THE MOST RECENT PESO INTEREST RATES AND COMMENTS ON THE ANNOUNCE-MENT SEPTEMBER 4 BY BANK OF MEXICO DIRECTOR GENERAL CARLOS TELLO THAT, WITH ONE EXCEPTION, INTEREST RATES ON BOTH PESO DEPOSITS AND PESO LOANS WILL DECLINE. THIS LOWERING OF INTEREST RATES APPEARS TO BE PART OF AN EFFORT TO ELIMINATE THE IMPACT OF EXTERNAL DEVELOPMENTS ON THE MEXICAN ECONOMY. ONE OBJECTIVE IS, THROUGH EXCHANGE CONTROLS, TO ELIMINATE ANY ATTRACTIONS OF FOREIGN CAPITAL MARKETS. THUS, LOWER INTEREST RATES ON PESO DEPOSITS WILL NOT REDUCE SAVINGS AND LOWER RATES ON PESO LOANS WILL REDUCE INFLATION. THESE LOWER RATES WILL GENERATE A STRONG DEMAND FOR LOANS, WHICH WILL



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BE GUIDED BY THE STATE THROUGH THE NATIONALIZED BANKING SYSTEM INTO THE "MOST PRODUCTIVE" SECTORS OF THE ECONOMY AND LAY THE BASIS FOR A REKINDLING OF MEEICO'S SUSTAINED, HIGH LEVEL OF ECONOMIC GROWTH. THESE VIEWS ARE CONSISTENT WITH THE CAMBRIDGE SCHOOL OF ECONOMIC THOUGHT RELATING TO DEVELOPMENT THEORY WHICH APPEARS TO HAVE SEVERAL POWERFUL AD8ERENTS IN MEXICO. END SUMMARY.

2. (U) INTEREST RATES FOR FIXED-TERM TIME DEPOSITS ON MONDAY, SEPTEMBER 20 WERE AS FOLLOWS:



CLASSIFY

	PHYSICAL PERSONS	COMPANIES
	(NET)	(GROSS)
FROM 30-89 DAYS	43.25	46.95
FROM 90-179 DAYS	47.30	47.30
FROM 180-359 DAYS	47.95	47.95

FOR THE PURPOSE OF COMPARISON, INTEREST RATES ON MONDAY, AUGUST 30 WERE AS FOLLOWS:

<u> </u>	PHYSICAL PERSONS (NET)	COMPANIES (GROSS)
FROM 30-89 DAYS	49.15	53.15
FROM 90-179 DAYS	53.75	53.75
FROM 180-359 DAYS	54.35	54.35

IN ALL CASES, INTEREST RATES ON SEPTEMBER 20 WERE LOWER THAN ON AUGUST 30. THE ONE EXCEPTION TO THE GENERAL LOWERING OF INTEREST RATES WAS THE DECISION TO INCREASE FROM 4.5 PERCENT TO 20 PERCENT



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THE INTEREST PAID ON PASSBOOK TYPE SAVINGS DEPOSITS. THESE HAVE NOT BEEN AN IMPORTANT SOURCE OF FUNDS FOR THE BANKS, ACCOUNTING FOR 7.7 PERCENT OF ALL PESO SAVINGS INSTRUMENTS.AT END-APRIL 1982.

PESO BORROWING RATES CHARGED BY THE BANKS WERE TO BE LOWERED ON SEPTEMBER 4 BY 5 PERCENTAGE POINTS ON ALL LOANS OUTSTANDING AND SUBSEQUENTLY REDUCED BASED ON THE AVERAGE COST OF FUNDS TO THE BANKS (CPP). CARLOS TELLO STATED THAT THE DIFFERENCE BETWEEN WHAT THE BANKS PAY FOR FUNDS (I.E., THE CPP RATE) AND WHAT THEY CHARGE BORROWERS IS "ALMOST 18 PERCENTAGE POINTS." THE AVERAGE CPP RATE FOR AUGUST WAS OVER 46 PERCENT WHICH WOULD SUGGEST THAT A PRIME RATE CONCEPT WOULD BE ABOUT 64 PERCENT. WE HAVE NO SPECIFIC INFORMATION ON PAST OR CURRENT BANK LENDING RATES--THEY ARE NOT PUBLISHED AND VARY FROM BANK TO BANK. HOWEVER, WE HEARD FROM A SOURCE IN BANAMEX THAT DAVID IBARRA, THE NEW DIRECTOR OF THE NEWLY-NATIONALIZED BANK, ISSUED ORDERS NOT TO REDUCE LENDING RATES BY THE FIVE PERCENTAGE POINTS. REPRESENTATIVE DEBT INSTRUMENTS SUCH AS CETES (TREASURY BILLS), COMMERCIAL PAPER AND BANKERS ACCEPTANCES ARE TRADING AT THE FOLLOWING RATES (PERCENT):

2 ==		SEPT 10	AUG 30
CETES WITH 90 DAY	YS TO	56	56.5
- TO MATURITY			



BANKERS ACCEPTANCES WITH 30

55

56 75

NOTE BY OC/T: NOT PASSED TO FEDERAL RESERVE BOARD OR EXPORT IMPORT BANK.



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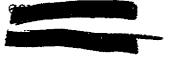
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DAYS TO MATURITY

COMMERCIAL PAPER WITH 30 58 59.75
- DAYS TO MATURITY

- 4. (U) ON SEPTEMBER 21 THE BANK OF MEXICO WILL OFFER CETES VALUED AT 32 BILLION PESOS AT RATES TO BE DETERMINED BY THE MARKET. THIS DEPARTS FROM PREVIOUS POLICY WHICH WAS TO FIX AN INTEREST RATE AND ISSUE THE VOLUMM BASED ON DEMAND AT THAT RATE.
- 5. (C) MORE IMPORTANT THAN THE RATES THEMSELVES, THE GENERAL REDUCTION IN INTEREST RATES APPEARS TO BE ONE OF A NUMBER OF TOOLS FOR IMPLEMENTING A MARKED SHIFT IN ECONOMIC POLICY. BEST DESCRIBED AS A SHIFT AWAY FROM A FREE MARKET ECONOMY TOWARDS A MORE CENTRALLY-PLANNED ECONOMY. THESE RECENT

ECONOMIC MEASURES SEEM TO MIRROR THE CAMBRIDGE



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SCHOOL DEVELOPMENT THEORY WHOSE BEST KNOWN PROPONENTS ARE JOAN ROBINSON AND LORD NICHOLAS KALDOR. BOTH SECRETARY OF PATRIMONY OTEYZA AND BANK OF MEXICO DIRECTOR GENERAL TELLO WERE STUDENTS AT CAMBRIDGE AND APPEAR TO HAVE BEEN INFLUENCED BY THIS "EXPANSIONIST" THEORY.

6. (C) THE BANK NATIONALIZATION AND EXCHANGE CONTROLS ARE BOTH CONSISTENT WITH THE EXPANSIONIST POINT OF VIEW, AND BOTH MAKE IT POSSIBLE TO MANIPULATE INTEREST RATES AMONG OTHER THINGS. ON THE ONE HANN, IT IS NOW POSSIBLE TO HAVE THE BANKS SERVE AS INSTRUMENTS OF STATE POLICY AND, ON THE OTHER HAND, COMMETITION FOR INTERNATIONAL CAPITAL FLOWS HAS BEEN ELIMINATED. ACCORDING TO EXPANSIONIST THEORY, THE UNDERLYING REASON TO MANIPULATE INTEREST RATES IS TO ENCOURAGE THE DEVELOPMENT OF A POOL OF DOMESTIC SAVINGS WHICH WILL TAKE THE PLACE OF EXTERNAL BORROWINGS AND, TO SOME EXTENT, FOREIGN INVESTMENT. THIS LARGE AND CHEAP POOL OF DOMESTIC SAXINGS IS TO BE DIRECTED THROUGH THE NATIONALIZED BANKS TO "THE PRODUCTIVE AND DISTRIBUTIVE SECTOR OF THE COUNTRY" WHICH IN TURN WILL ENABLE THE ECONOMY TO GROW AT RAPID AND SUSTAINED RATES. CAALOS TELLO AND LOPEZ PORTILLO HAVE ALSO ARGUED THAT THE HIGH INTEREST RATES CAUSED MEXICO'S INFLATION PROBLEM AND THAT BY LOWERING INTEREST RATES INFLATION WILL ABATE. LOPEZ PORTILLO HAS SPECIFICALLY REJECTED CRITICISM THAT PUBLIC SECTOR SPENDING IS CAUSING INFLATION SINCE THIS WOULD UNDERCUT THE RATIONALE FOR ADDITIONAL GOVERNMENT INVOLVEMENT IN THE ECONOMY.

7. (C) THE EXPANSIONIST VIEW APPEARS TO US TO



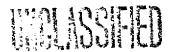
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HAVE SEVERAL FLAWS. THE FIRST IS THAT IT DOES
NOT SEEM LIKELY THAT A DOMESTIC SAVINGS POOL CAN
TAKE THE PLACE OF THE HIGH LEVEL OF EXTERNAL BORROWING
WHICH WAS NEEDED TO FINANCE MEXICO'S HIGH ECONOMIC
GROWTH RATES OVER THE LAST 4 YEARS. NOR WILL
IT BE POSSIBLE FOR AN ECONOMY AS DEPENDENT ON
IMPORTS AS MEXICO'S TO ADJUST TO A LOWER LEVEL
OF MERCHANDISE IMPORTS. MANY INDUSTRIES ARE NOW
PRODUCING FROM INVENTORY SUPPLIES WHICH WILL GRADUALLY
RUN OUT, SERIOUSLY AFFECTING UNEMPLOYMENT AND
ECONOMIC ACTIVITY. A SECOND PROBLEM IS THE VIEW
THAT INFLATION IS CAUSED BY HIGH INTEREST RATES

PATHER THAN BY EXCESSIVE GOVERNMENT SPENDING.
A THIRD ISSUE IS WHETHER RELATIVELY CHEAPER BORROWING RATES ALONE CAN GENERATE INVESTMENT AND PRODUCTIVE ACTIVITY. PREDICTABILITY OF GOVERNMENT POLICIES, AN ABSENCE OF PRICE CONTROLS AND A HOST OF OTHER FACTORS ARE ALSO FACTORS IN AN INVESTMENT DECISION. DRAFTED BY B.J.GRIFFITHS. GAVIN



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INFO OCT-00 COPY-01 ADS-00 SS-10 NSCE-00 SSO-00 /027 W

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FOR ASST, SEC. ENDERS

E.O. 12356. DECL: 12/6/88

TAGS: OVIP (REAGAN, RONALD W.), GT, US

SUBJECT: DRAFT MEMORANDUM OF CONVERSATION-BILATERAL

BETWEEN PRESIDENT REAGAN AND THE PRESIDENT

OF GUATEMALA. GENERAL EFRAIN RIOS MONTT

1. - ENTIRE TEXT.

DRAFT MEMORANDUM OF CONVERSATION:
 BILATERAL MEETING BETWEEN PRESIDENT REAGAN AND
 THE PRESIDENT OF GUATEMALA, GENERAL EFRAIN RIOS MONTT

PLACE: ARMANDO ESCALON AIR FORCE BASE.
- SAN PEDRO SULA, HONDURAS

TIME: 5:30 P.M., DECEMBER 4, 1982

3. PRESIDENT REAGAN OPENED THE MEETING BY WELCOMING PRESIDENT RIOS MONTT AND EXPRESSING HIS PLEASURE THAT THE PRESIDENT HAD BEEN WILLING TO COME OVER TO HONDURAS TO MEET WITH HIM. THE PRESIDENT CONTINUED THAT THE U.S. WANTED TO HELP GUATEMALA. HE THEN SAID THAT THE UNITED STATES WOULD LIKE TO SEE GUATEMALA IN THE CENTRAL AMERICAN DEMOCRATIC COMMUNITY. IN THE CENTRAL AMERICAN CONTEXT.

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HE HOPED THAT THE BELIZE ISSUE WOULD BE SETTLED SOON.

2. PRESIDENT RIOS MONTT THEN LAUNCHED INTO A HALF HOUR MONOLOGUE IN WHICH HE MADE HIS USUAL POINTS ABOUT

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THE MULTI-RACIAL COMPOSITION OF GUATEMALA AND THE IMPORTANCE OF THE INDIAN POPULATION WHICH WAS VARIOUSLY ESTIMATED AT BETWEEN 60 AND 70 PERCENT OF THE TOTAL POPULATION. RIOS MONTT HAD A SERIES OF CHARTS WHICH WERE OVERLAYS OF A BASIC MAP OF GUATEMALA SHOWING THE DISTRIBUTION GEOGRAPHICALLY OF THE MAJOR ETHNICAL GROUPS AND THE MAJOR INSURGENT AREAS LARGELY COTERMINOUS. PRESIDENT REAGAN SAID THAT THE EASTERN AND SOUTHERN AREAS ALONG THE PACIFIC COAST WHERE THE AREAS WERE LADINOS. OR NON-INDIANS, LIVED.

- 3. PRESIDENT RIOS MONTT NEXT EXPLAINED THAT THE GUATEMALAN GOVERNMENT HAD ESTABLISHED CIVIL DEFENSE FORCES TO HELP COUNTER THE INSURGENTS. THERE WERE SOME 300,000 PERSONS SO ORGANIZED. THEY, HOWEVER, LACKED WEAPONS. HE NEEDED M-1 RIFLES AND CARBINES, AS WELL AS "SOME AMMUNITION". HE HOPED THAT THESE ITEMS COULD BE GIVEN TO GUATEMALA FROM U.S. SURPLUS STOCKS. THESE ITEMS WERE NO LONGER IN U.S. ARMY INVENTORY, HE ASSERTED. HE WAS NOT ASKING FOR ANY SOPHISTICATED WEAPONS. JUST THESE FEW ITEMS.
- 4. ALSO TO ASSIST THE RECONSTRUCTION OF THE AREA.
 RIOS TO REQUESTED THE U.S. TO DONATE PREFACEL ATEL SET DINGSIAND BAILEY BRIDGES. HE DID
 NOT STEEL TO USG ASSIST GUATEMALA IN

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NEGOTIATIONS TO OBTAIN LOANS. HE WAS NOT VERY CLEAR ON THIS POINT BUT HE IMPLIED THAT THE LOANS WOULD COME FROM INTERNATIONAL FINANCIAL INSTITUTIONS AND PRIVATE BANKS. PRESIDENT RIOS MONTT CONTINUED THAT THE IMP KNEW GUATEMALA'S POTENTIAL AND THE IMPLICATION WAS THAT THE IMP WOULD RESPOND. RIOS MONTT THEN SAID THAT GUATEMALA WAS DRAFTING A NEW PETROLEUM LAW WHICH WOULD BE BENEFICIAL TO FOREIGN COMPANIES AND WOULD SOON BE IN FORCE. HE WAS NOT VERY SPECIFIC ON THIS POINT.

5. PRESIDENT RIOS MONTT THEN SHIFTED TO THE BELIZE ISSUE. HE PRODUCED ANOTHER OVERLAY OF THE GUATEMALAN MAP SHOWING GUATEMALA'S TERRITORIAL DESIRES WITH RESPECT TO BELIZE. THE AREA DESIRED WAS AS FAR NORTH AS THE MONKEY RIVER AND UP ITS TRIBUTARIES

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TO THE WEST AND FROM THE HEADWATERS OF THE RIO BLADEN, WEST TO THE PRESENT BORDER. RIOS MONTT REFERRED TO THE PRESENT BORDER AS THE LINE RECOGNIZED BY GREAT BRITAIN, HE REITERATED THE POINT THAT GUATEMALA WANTED TO NEGOTIATE WITH THE U.K. BUT HE CONCEDED THAT BELIZE REPRESENTATIVES WERE PRESENT IN THE DISCUSSIONS WHICH HAD BEEN HELD IN NEW YORK AND WHICH HE MAINTAINED WERE STILL IN PROGRESS. RIOS MONTT RETURNED TO AN EARLIER MAP OVERLAY AND SHOWED THAT THE AREA BEING SOUGHT BY GUATEMALA WAS COTERMINOUS WITH THE AREA OCCUPIED BY KEKCHI IN PRESENT DAY BELIZE. PRESIDENT RIOS MONTT THEN WAVED SOME PRINTED SHEETS WHICH HE ASSERTED WERE COMMUNIST PUBLICATIONS CIRCULATING



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IN BELIZE. HE MADE THE POINT THAT BELIZE WAS A FACILE CONDUIT FOR COMMUNIST INFLUENCE. HE THEN WENT ON TO DESCRIBE THE MEXICAN ROLE IN SUPPLYING THE GUERRILLAS ACROSS THE EXTENSIVE

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GUATEMALAN/MEXICAN BORDER. HE ASSERTED THAT MEXICO WAS BEING USED AS A REST AREA AND A PLACE FOR TRAINING AND INDOCTRINATION OF GUERRILLAS.

HE ASSERTED THAT THERE WERE NO REFUGEES IN MEXICO BUT PERSONS AFFILIATED WITH THE GUERRILLAS. RIOS MONTT'S FINAL POINT WITH REGARD TO BELIZE WAS A GENERALIZED STATEMENT ABOUT THE IMPORTANCE OF ACCESS TO THE SEA AND TO THE CARIBBEAN. HE REFERRED TO THE FACT THAT GUATEMALA WAS PRESENTLY HEMMED IN BETWEEN BELIZE AND HONDURAS AND ONLY HAD ACCESS THROUGH THE BAHIA AMATIQUE. ONLY WITH THE PROPOSED ADDITIONAL COAST LINE COULD GUATEMALA PARTICIPATE IN THE CBI. RIOS MONTT SAID, BECAUSE WITHOUT THAT COASTLINE GUATEMALA REALLY DID NOT FRONT ON, THE CARIBBEAN.

6. RIOS MONTT WAS THEN PROMPTED TO CONTINUE TO TALK ABOUT ECONOMIC PROBLEMS. HE SAID THAT THE ECONOMIC PROBLEM OF GUATEMALA WAS REALLY PART OF A WORLDWIDE PROBLEM. HE ASKED THAT PRESIDENT REAGAN LIFT THE TRAVEL ADVISORY WITH REGARD TO U.S. CITIZENS. PRESIDENT RIOS MONTT SAID THERE WAS

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ONLY A LIMITED AREA IN THE CENTRAL PART OF GUATEMALA IN WHICH THERE WAS ANY DANGER IN REGARD TO TRAVEL. HE WOULD GUARANTEE THE SAFETY OF ALL U.S. CITIZENS IN THE AREA. RIOS MONTT THEN MENTIONED THAT THE IMF WAS SENDING A DELEGATION IN JANUARY TO CONDUCT A NEW STUDY.

7. PROMPTED BY HIS SECRETARY, FRANCISCO BIANCHI, PRESIDENT RIOS MONTT THEN LAUNCHED INTO A DISCUSSION OF THE GUARANTEES FOR A RETURN TO CONSTITUTIONAL GOVERNMENT. HE SAID THAT HE WOULD PROMULGATE THREE ELECTORAL LAWS ON MARCH 23, 1983, AS HE HAD PREVIOUSLY ANNOUNCED. HE THEN SAID IN A RUSH THAT HE COULD GUARANTEE THAT ELECTIONS FOR CONSTITUENT. ASSEMBLY WOULD BE HELD BEFORE THE END OF 1983 (BUT SEE BELOW). RIOS MONTT SAID THAT THIS PROCESS WAS THE BASIS FOR GETTING THE ARMY OUT OF GOVERNMENT. THE ARMY WISHED TO RETURN TO ITS TRADITIONAL ROLE AND HAD NO DESIRE TO STAY IN GOVERNMENT. HE PERSONALLY WAS NOT INTERESTED IN STAYING IN POWER.



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8 AGAIN PROMPTED. PRESIDENT RIOS MONTT REFERRED TO THE BEANS AND RIELES PROGRAM, OR FRIJOLES Y FUSILES PROGRAM. OR FRIJOLES Y FUSILES PROGRAM. OR FRIJOLES Y FUSILES PROGRAM. OR FRIJOLES Y FUSILES PROGRAM. OR FRIJOLES Y FUSILES PROGRAM. OR FRIJOLES Y FUSILES PROGRAM. OR FRIJOLES Y WAS SEEKING TO FEED CIVIL WE WILL THE OWN ALTHOUGH HE DID NOT SPECIFICALLY MENTION IT) TO CARRY THIS OUT. HE ASSERTED THAT THE GUATEMALAN GOVERNMENT HAD EFFECTIVE CONTROL OVER THE DISTRIBUTION OF SUCH AID AND COULD AVOID ITS MISUSE. HE ASKED

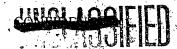
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FOR ADDITIONAL UNSPECIFIED HELP FOR THE BEANS AND REILES PROGRAM.

9: AGAIN PROMPTED WITH REGARD TO HUMAN RIGHTS. PRESIDENT RIOS MONTT DENIED THE ALLEGATIONS BEING MADE ABOUT GUATEMALA BY HUMAN RIGHTS ORGANIZATIONS SUCH AS AMNESTY INTERNATIONAL AND IN VARIOUS INTERNATIONAL FORA. HE SAID THAT 21 GUERRILLA COMMANDANTES" HAD BEEN CAPTURED IN THE LAST 20 DAYS, AND AFTER DISCUSSIONS WITH THE GUATEMALAN AUTHORITIES, THESE WERE ASSERTED TO BE READY. TO GO BACK TO THEIR COMMUNITIES TO BRING THE TRUE GOSPEL. HE POINTEDLY ASSERTED THAT THESE COMMANDANTES WOULD NOT BE SHOT: PRESIDENT RIOS MONTT THEN REFERRED TO TWO EMPLOYEES OF THE UNIVERSITY OF SAN CARLOS MEDICAL SCHOOL WHO HAD BEEN ARRESTED AND WERE SUBJECT TO PROSECUTION AS COMMUNIST AGENTS. RIOS MONTT IN CONCLUSION ASKED FOR AN UNSPECIFIED AMOUNT OF MONEY TO COUNTER FALSE COMMUNIST PROPAGANDA AROUND THE WORLD.

WHEN BIOS MONTT CONCLUDED HIS MONOLOGUE, PRESIDENT REAGAN SAID THAT THE PRESIDENT HAD CERTAINLY GIVEN HIM A LOT TO THINK ABOUT AND HE WOULD TAKE THE POINTS AND THE DOCUMENTATION HOME AND STUDY THEM, HE THEN ASKED ABOUT THE REPUGEE CAMPS IN MEXICO AND WONDERED WHETHER. PRESIDENT RIOS MONTT RESPONDED INITIALLY THAT

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HE THOUGHT IT UNLIKELY AS DE SA MADRID HAD ALREADY INVITED SOME COMMUNISTS TO TALK TO HIM ABOUT THESE PROBLEMS. THE GUATEMALAN FOREIGN MINISTER SOUGHT TO CLARIFY THIS RATHER CONFUSED STATEMENT AND PRESIDENT RIOS MONTT ENDED BY SAYING THAT PERHAPS PRESIDENT DE LA MADRID COULD BE HELPFUL. HE WOULD LIKE TO GO TO MEXICO TO EXPLAIN GUATEMALAN REALITIES TO THE NEW MEXICAN PRESIDENT AND GENERALLY WOUND UP ACCEPTING PRESIDENT REAGAN'S SUGGESTION.

11. PRESIDENT REAGAN THEN ASKED SECRETARY SCHULTZ.
WHETHER HE HAD ANY QUESTIONS OR COMMENTS. SECRETARY
SCHULTZ ASKED PRESIDENT RIOS MONTT FOR A CLARIFICATION
OF HIS EARLIER STATEMENTS ABOUT A RETURN TO
CONSTITUTIONAL GOVERNMENT. AT THIS POINT,
PRESIDENT RIOS MONTT BACKED AWAY FROM THE
CLEAR COMMITMENT TO HOLD ELECTIONS FOR A
CONSTITUENT ASSEMBLY IN 1983 AND REFERRED MORE
GENERALLY TO THE START OF THE CONSTITUTIONAL
PROCESS FOLLOWING THE PROMULGATION OF THE ELECTORAL
LAWS ON MARCH 23, 1983.

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12 DURING THE MEETING PRESIDENT RIOS MONTT GAVE PRESIDENT REAGAN, AND OTHER MEMBERS OF HIS DELEGATION AN EXTENSIVE FOLDER ENTITLED "ESTE GOBIERNO TIENE EL" COMPROMISO DE CAMBIAR!"

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(THIS GOVERNMENT HAS AN OBLIGATION TO CHANGE) CONTAINING (A) MESSAGE BY PRESIDENT RIOS MONTT TO INTERNATIONAL PRESS, (B) GENERAL EXPOSITION, (C) TRUTH AND JUSTICE, (D) BEANS AND RIFLES.
(E) ECONOMIC PLAN, (F) THE LAST TERRORIST'S ACTIONS, (C) TERRORIST'S DOCUMENT (TRANSLATION), (H) THE FOUR IMPORTANT SPEECHES OF THE PRESIDENT RIOS MONTT. AND (I) GENERAL RIOS MONTT'S CURRICULUM VITAE.

13. AFTER A FEW CONCLUDING COMMENTS, THE TWO PRESIDENTS. THE SECRETARY AND THE GUATEMALAN FOREIGN MINISTER LEFT TO MEET WITH THE PRESS IN ANOTHER BUILDING.

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ACTION ARA-16

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FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC IMMEDIATE 3426

INFO AMEMBASSY BELIZE

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY PANAMA

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E.O.12356: N/A

TAGS: PINS, GT, SHUM

SUBJECT: EMBASSY REPORT, ON VILLAGES IN EL QUICHE

 SUMMARY: ON FEBRUARY 15, EMBASSY OFFICER VISITED THE DEPARTMENT OF EL QUICHE IN THE COMPANY OF A "TELEPRENSA" FILM CREW, AN AFP REPORTER, AND THE COMMANDER OF THE PLAYA GRANDE ARMY BASE. THE FOLLOWING VILLAGES AND HAMLETS WERE VISITED: PLAYA GRANDE, SAN ALFONSO, SANTO TOMAS, SANTA MARIA DOLORES, SANTIAGO IXCAN, PUEBLO NUEVO AND SANTA MARIA TËJA. END SUMMARY.

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2. THE FIRST STOP WAS PLAYA: GRANDE, SITE OF A GNATEMALAN ARMY BASE. THE COMMANDER BRIEFED US ON THE MILITARY SITUATION IN THE AREA,

NOTING WITH SPECIAL EMPHASIS THE PROBLEM OF CONTINUING GUERRILLA RAIDS FROM MEXICO.

WE WERE SHOWN CAPTURED GUERRILLA DOCUMENTS, MEDICINE AND MINES. ALL THE MEDICINE WAS MANUFACTURED IN MEXICO. THE MINES WERE OF THE CLAYMORE ANTI-PERSONNEL VARIETY. THE COMMANDER STATED THAT THE GUERRILLAS WERE STILL VERY ACTIVE IN NORTHERN EL QUICHE, AND THAT THEY HAD FORCED THE INHABITANTS OF MANY SMALL HAMLETS AND CO-OPERATIVES TO CROSS THE BORDER TO MEXICO. NEVERTHELESS, HE THOUGHT THE ARMY HAD THINGS "UNDER CONTROL."

- 3. SAN ALFONSO WAS THE ONLY TOWN ACCESSIBLE BY ROAD FROM PLAYA GRANDE. WE DROVE THERE. THE TOWN ITSELF IS ONLY THREE ELDOMETERS FROM THE MEXICO BORDER. UPON OUR ARRIVAL THE MAJORITY OF THE VILLAGE FLOCKED TO THE CAMERA CREW. WISHING TO AVOID THE CARNIVAL TYPE ATMOSPHERE THAT SUCH VISITS INVARIABLY PRODUCE, EMBOFF SET OFF ON HIS OWN TO SPEAK BRIVATELY WITH SOME OF THE OTHER VILLAGERS.
- 4. IN CONVERSATIONS WITH FOUR OF THE VILLAGE MEN, EMBOFF DISCOVERED THE FOLLOWING. THE MAJORITY OF THE VILLAGERS WERE FROM MATZATENANGO, A TOWN IN SOUTHWEST GUATEMALA. THE GOVERNMENT HAD GIVEN THEM THE LAND IN EL QUICHE SOME FIVE YEARS AGO. EMBOFF WAS TOLD THAT THE VILLAGE LIVED IN FEAR OF BOTH THE GUERRILLAS AND THE UNCLASSIFIED

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ARMY DURING THE ADMINISTRATION OF GENERAL LUCAS GARCIA. AFTER THE COUP OF MARCH 1982, THE ARMY BEGAN TO MODERATE ITS POLICIES. IT SEEMS THAT SHORTLY AFTER THE COUP, A MAN WITH SUPPOSED CLOSE TIES TO THE MILITARY TOLD THE VILLAGERS THAT THE ARMY WAS GOING TO COME TO SAN ALFONSO AND DESTROY THE VILLAGE, USING HELICOPTERS TO STRAFE FROM THE AIR AND INFANTRY TO BUTCHER ON THE GROUND. MANY VILLAGERS FLED TO MEXICO UPON HEARING THIS, OTHERS, HOWEVER, WERE PREPARED TO WAIT AND SEE, NOT WISHING TO GIVE UP THEIR LAND AND HOMES. THE ARMY CAME. THEY DID NOT BURN, KILL OR RAPE. THEY TOLD THE VILLAGERS

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THAT THEY WOULD TRY TO PROTECT THEM, AND THEY HAVE BEEN TRYING TO PROTECT THEM EVER SINCE. WORD OF THIS EVENTUALLY SPREAD AND SEVERAL FAMILIES RETURNED FROM MEXICO. (EMBOFF SPOKE WITH ONE OF THESE FAMILIES OF FEBRUARY 21). THERE ARE NOT ENOUGH RIFLES TO GO AROUND AND SAN ALFONSO DOES NOT HAVE AN EFFECTIVE CIVIL DEFENSE PATROL. PATROLS FROM OTHER VILLAGES INCLUDE SAN ALFONSO IN THEIR ROUNDS. THERE ARE CURRENTLY SOME 20 FAMILIES LIVING IN SAN ALFONSO; THE VILLAGERS SAID THERE WERE PROBABLY 20 MORE FAMILIES STILL IN MEXICO. THE LATTER ARE EXPECTED TO RETURN. a

5. FROM SAN ALFONSO, WE FLEW TO SANTO TOMAS. THIS WAS AN EXTREMELY SMALL HAMLET IN AN ISOLATED AREA OF NORTH-CENTRAL EL QUICHE. THE ARMY COMMANDER STATED THAT ITS INHABITANTS. WERE BURNED OUT BY GUERRILLAS AND FORCED INTO MEXICO. ALL THAT REMAINED WAS THE FOUNDATIONS

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PAGE 01 GUATEM 01417 02 OF 03 232228Z ACTION ARA-16 INFO OCT-00 COPY-01 ADS-00 AID-0 INR-10 SS-10

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TO SECSTATE WASHDC IMMEDIATE 3427
INFO AMEMBASSY BELIZE
AMEMBASSY MANAGUA
AMEMBASSY MEXICO
AMEMBASSY PANAMA
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
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OF THREE BUILDINGS AND SOME TIN ROOFING MATERIAL. THERE WERE 49 SOLDIERS ENCAMPED THERE, HOLDING THE AREA AND SCOUTING FOR GUERRILLAS. THEY HAD ERECTED LEAN-TOS FROM THE TIN ROOFING. THE SOLDIERS THERE WERE NOT GIVEN TO CASUAL CONVERSATIONS; IN FACT, THEY WERE TIGHT-LIPPED, NERVOUS AND FRIGHTENED. THEY HAVE SINCE MOVED ON: (WHEN EMBOFF RETURNED TO THE AREA ON FEBRUARY 21 WITH CODEL LAGOMARSINO, SANTO TOMAS WAS DEEMED "UNSAFE," THE ARMY DID NOT WISH TO JEOPARDIZE THE CODEL'S SAFETY.)

6. WE THEN FLEW ON TO SANTA MARIA TEJA. A SQUAD OF SOLDIERS WAS THERE, PROTECTING UNCLASSIFIED

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THE VILLAGERS FROM GUERRILLA INCURSIONS.
THE ARMY HAD RECENTLY DISCOVERED A GUERRILLA CAMP IN THE AREA, DESTROYED IT, AND TURNED OVER ALL THE CAPTURED FOODSTUFFS TO THE VILLAGERS. EMBOFF WAS TOLD THAT THE ARMY'S ATTITUDE HAD CHANGED GREATLY AFTER THE COUP, THE PEOPLE COULD NOW COUNT ON THE PROTECTION OF GOVERNMENT FORCES. PRIOR TO THE COUP, THEY WERE EXTREMELY FRIGHTENED OF BOTH SIDES. TWO MEN TOLD EMBOFF THEY HAD BEEN WITH THE STERFILLAS FOR ALMOST TWO YEARS. THEY HAD BEEN FORCED TO JOIN THE INSURGENTS AND THEIR FAMILIES FORCED TO PROVIDE SUPPORT. THEY HAD SET UP ROADBLOCKS, STOLEN FOOD AND EVEN AMBUSHED AN ARMY

PATROL. AFTER THE COUP, THEY THOUGHT THEY HAD · A CHANCE TO TURN THEMSELVES IN AND NOT BE KILLED. THEY DID AND THEY WEREN'T; BOTH: NOW LIVE IN THE VILLAGE WITH THEIR FAMILIES.

- 7. THE SEEP IN SANTIAGO IXCAN WAS BRIEF. THE PEOPLE THERE HAVE BEEN ARMED BY THE GOVERNMENT ALTHOUGH, AGAIN, THERE ARE NOT ENOUGH RIFLES TO GO AROUND. THE GUERRILLAS USED TO COME AND STEAL THEIR FOOD, BUT DO SO NO LONGER BECAUSE OF AN INCREASED MILITARY PRESENCE IN THE AREA AND THE EFFECTIVENESS OF CIVIL DEFENSE PATROLS.
- 8. IN SANTA MARIA DOLORES, THE PEOPLE HAVE JUST RETURNED FROM COBAN. IN LATE SEPTEMBER OF 1982 THE ARMY WAS EORCED TO PULL OUT OF THIS VILLAGE AS ITS TROOPS WERE NEEDED ELSEWHERE. THE VILLAGERS WOULD NOT REMAIN THERE WITHOUT "UNCLASSIFIED

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PROTECTION FOR FEAR OF THE GUERRILLAS; THEY MOVED TO COBAN. ON JANUARY 9, 1983, THE ARMY MOVED BACK INTO THE VILLAGE AND ITS INHABITANTS RETURNED. THE VILLAGERS ARE CURRENTLY REBUILDING THEIR HOUSES AND GETTING READY TO PLANT THEIR CROPS. THE FEW BUILDINGS THAT REMAIN STANDING ARE COVERED WITH GUERRILLA SLOGANS AND PROPAGANDA.

- 9. NOT ALL OF THE VILLAGERS FLED TO COBAN. THE SUMMER AND EARLY FALL OF 1982 SOME 20 FAMILIES FLED THE AREA, EITHER TO MEXICO OR INTO THE MOUNTAINS WITH THE GUERRILLAS. EMBOFF DOES NOT KNOW IF THESE FAMILIES FLED THE GENERAL VIOLENCE IN THE AREA OR IF THEY ACTUALLY JOINED THE INSURGENTS. THERE IS NO WAY TO KNOW.
- 10. WE ALSO FLEW OVER PUEBLO NUEVO, ANOTHER VERY SMALL AND DESERTED HAMLET. EMBOFF WAS TOLD BY THE AREA MILITARY COMMANDER THAT THIS AREA HAD ALSO BEEN SUBJECT TO GUERRILLA ATTACKS, AND THAT THE PEOPLE HAD BEEN FORCED ACROSS THE BORDER. FROM PUEBLO NUEVO, WE RETURNED TO PLAYA GRANDE AND SOON AFTER TO THE CAPITAL.

11. WE NOTE THAT CONGRESSMAN LONG EXPRESSED AN INTEREST IN THE VILLAGES OF SAN ALFONSO, SANTA MARIA DOLORES, SANTO TOMAS AND PUEBLO NUEVO. DEPARTMENT SHOULD FEEL FREE TO PASS THIS REPORT ON TO STAFFERS POWERS AND SCHUERCH, FOREIGN OPERATIONS SUBCOMMITTEE, HOUSE OF REPRESENTATIVES. SEPTEL WILL REPORT FEBRUARY 21 VISIT OF CODEL

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(U) GUATEMALA'S GUERRILLAS RETREATING IN THE FACE OF GOVERNMENT PRESSURE

Summary

Since the beginning of 1983 Guatemala has enjoyed a respite from the insurgency which has engulfed the country for more than four years. Government success with several political and military strategies has forced the guerrillas to pause to reconsider the manner in which they have been operating. The government has demonstrated to rural Guatemalans, most of whom are Indians, that their interests are best served by supporting it.

President Rios Montt has characterized his approach to the insurgency as one of "rifles and beans." Those who are perceived to support the government are rewarded with food for work, housing if they have been displaced, and other forms of government largesse. Those perceived not to be in support of the government are met with whatever force is considered necessary.

Rios has moved deftly to draw the Indian card from the guerrillas by emphasizing the "beans" portion of his policy. He has attempted to rectify the longstanding political marginalization of the Indians by naming 10 of them to the 30-member Council of State, which advises him on legislative matters. To improve their economic condition, he has organized Local Development Councils in the principal cities of the Department of El Quiche (see map, p. 2), where the guerrillas historically have been strongest. Similarly, his "3Ts" ("Techo, Trabajo, Tortilla" or "Housing, Jobs, Food") policy has involved the government heavily in social programs throughout the highlands (altiplano).

Organization of even the most remote villages' Indian population into Civil Defense Forces (CDFs)

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is the key to the government's recent military progress. Previous military tactics were characterized by large-scale sweeps through villages, then reabandonment to the guerrillas. The Indians had no choice but to aid whichever force was in their region at the time. Current tactics are to keep government forces always present, either CDFs or small units on patrol from many newly established bases.

The presence of CDFs, coupled with the government's civic action programs, has impinged seriously upon the Indians' willingness to extend logistical support, safe haven, and good will to the insurgents.

Although Cuba and Nicaragua have supplied the insurgents with some weapons, and other bloc countries have supplied training, the insurgent groups are essentially Guatemalan in character. The Cuban-line Guerrilla Army of the Poor (EGP), which has 1,000-1,300 combatants, operates primarily in the northern portion of the altiplano and until recently was considered the strongest guer-rilla organization. Its place is currently being challenged by the professional and less Marxist Organization of the People in Arms (ORPA), which has 600-800 combatants and operates primarily in the southern portion of the altiplano.

Because the army is focusing its efforts on controlling the EGP and ORPA, the Marxist-Leninist Rebel Armed Forces (FAR) also has seized the opportunity to challenge the EGP's recent supremacy. The FAR has between 150 and 300 very effective combatants located primarily in El Peten Department.

The only other group that has attempted to operate on any significant scale is the dissident wing of the Guatemalan Communist Party (PGT-D). The PGT-D has been almost destroyed by the army; it currently numbers far fewer than the 200 combatants it had in the summer of 1982.

These four groups in January 1982 formed an alliance known as the Guatemalan National Revolutionary Union. Beset by factional strife, it remains mostly a paper organization. Two other groups, the Guatemalan Communist Party (PGT-O), and the People's Revolutionary Movement (MRP), play minor roles in the insurgency.

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URNG Alliance

Non-Functioning, URNG Formed in Havana in 1982

The titular coordinating organization of the Guatemalan guerrilla groups, the Guatemalan National Revolutionary Union (URNG), is little more than a paper organization. Bickering among its four members has consistently blocked any chance it might have had for development. The present decline in strength of the guerrilla groups has increased the strain within the URNG. It is unlikely that the URNG will ever act as a true command and control element for the Guatemalan guerrillas.

Union of the four guerrilla groups was first contemplated seriously in October 1980 in Managua. The Managua meeting established the URN, which was reworked into the URNG in Havana in January 1982.

The impetus for organization of the URNG was the Cuban desire to unify the Guatemalan armed left into a coherent national command structure similar to that of the Sandinista National Liberation Front (FSLN) in Nicaragua and the Farabundo Marti National Liberation Front (FMLN) in El Salvador.

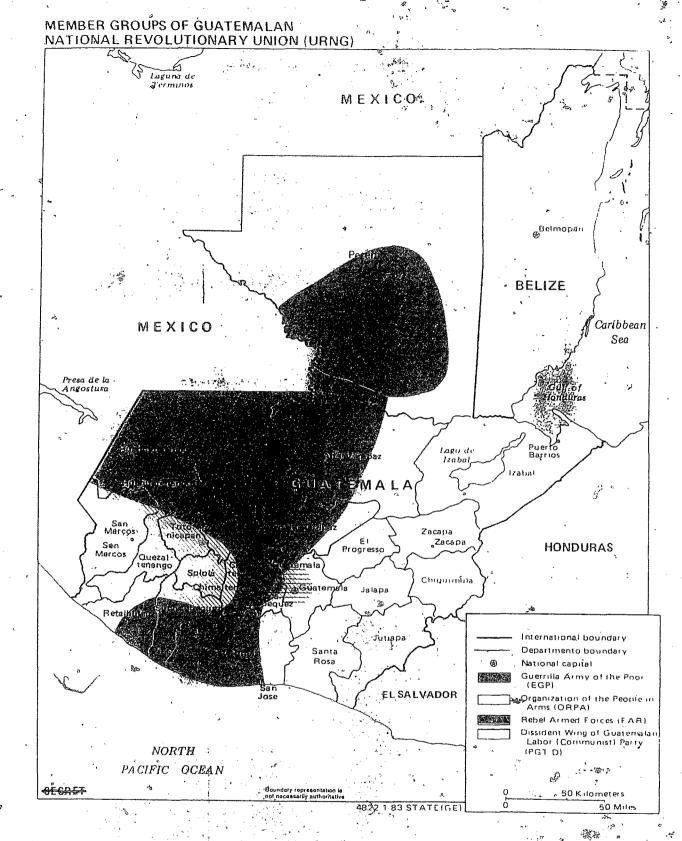
The URNG has not lived up to the expectations of its founders. Most URNG actions are so labeled after the fact; they are generally carried out by one of the groups without the assistance or foreknowledge of the others.

URNG's Four Member Organizations

The four insurgent organizations that make up the URNG are the Guerrilla Army of the Poor (EGP), the Organization of the People in Arms (ORPA), the Rebel Armed Forces (FAR), and the dissident wing of the Guatemalan Labor (Communist) Party (PGT-D).

The EGP operates primarily in the <u>altiplano</u> of the Departments of Huehuetenango and El Quiche. ORPA forces are concentrated to the south of the EGP in the mountains of San Marcos, Solola, and southwestern coastal Departments. The FAR focuses its attention on the northern Department of El Peten, and the PGT-D has operated primarily in Chimaltenango Department and Guatemala City.

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Command Structure Stillborn

The insurgents' goal of organizing a tactical command structure similar to the Managua-based United Revolutionary Directorate (DRU) headquarters of the Salvadoran guerrillas never got beyond the planning stages. The URN/URNG's tactical command structure was to have been known as the General Revolutionary Command (CGR), comprising the leaders of each of the four member groups. Although the leaders have met occasionally in Managua, the CGR cannot be said to have become an organizational reality.

The reluctance of ORPA leader "Comandante Gaspar" (Rodrigo Asturias Amado) to attend regular meetings has made them impossible. FAR attendance has also been spondic. As a result, the URNG has formed a Managua-based "commission" to act as its secretariat between meetings of the leaders. But no évidence has been received which would indicate that the URNG uses a dedicated radio network for transmission of orders from Nicaragua to Guatemala. Nor does it appear that URNG decisions promulgated in Managua (no matter how transmitted to the member organizations) are respected by the Guatemalan guerrillas.

In-Country Guerrillas Questioned CGR Right To Exist

The CGR's failure to become viable can be traced to guerrilla rejuctance to receive direction from leaders who exchanged armed struggle in the field for the revolutionary good life in Managua or Medico City. ORPA leaders and the in-country leadership of the EGP immediately questioned the decisions of the CGR and even its right to exist. Similarly, the political commission of the PGT-D questioned the right of its members to represent the PGT-D in the CGR.

Thus, the persons who organized the URN in 1980 and the URNG in 1982 have been de facto removed from authority for having deserted the field of battle. EGP leader "Rolando Moran" (Ricardo Armaldo Ramirez de Leon) and PGT-D leader "Mario" (Jose Alberto Cardoza Aguilar) were "promoted" to the status of accredited representatives to Nicaragua, without any real command function. A similar fate could be in store for FAR leader "Pablo Monsanto" (Jorge Ismael Soto Garcia).

Personalismo Causes URNG Disunity

ORPA leader Asturias has been a primary contributor to the URNG's lack of success. Asturias is the only insurgent leader who has returned to the field since the 1980 Managua talks. His

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impatience with his URNG colleagues is such that he has repeatedly threatened to pull ORPA out of the URNG and go it alone. Nonetheless, he realizes the virtues of a unified armed opposition.

Asturias is not the URNG's only troublemaker. The official leaders of the three other guerrilla organizations, like Asturias, are classic Latin American caudillos. They are petty, brutal, egotistical strongmen who brook no dissent against their whims. The desire of each to be the Fidel Castro of Guatemala has made compromise and coalition extremely difficult.

URNG Member Groups Originated From PGT

All four URNG member groups trace their origins to the original Communist Party of Guatemala, the PGT, now known as the orthodox wing of the Guatemalan Labor (Communist) Party (PGT-O). Nonetheless, their success as guerrilla organizations has been measured, at least until recently, by the distance they have come from the PGT on the issue of armed revolution and organization of the masses.

The PGT has always been an orthodox, Soviet-style communist party. It has consistently opposed armed struggle in Guatemala on the grounds that the masses "are not yet ready." It has not exploited the Indian issue or been successful in creating a mass base.

The PGT-D has moved one step away from the PGT-O by embracing armed struggle. It has, however, made little progress in the areas of Indian exploitation and mass support. The FAR has moved well forward with regard to mass support, but less so with regard to the Indian issue. ORPA has both integrated Indians into its units and obtained high levels of mass support.

The EGP until recently was clearly the leader among the insurgent groups because it has involved in its struggle all aspects of the Indian and rural societies. Only the EGP employs both Indian combatants and large groups of Local Irregular Forces (FILs) for logistical support. Also unique is its use of Indian languages for tactical communication. This integration of the Indian into EGP forces, while clearly the key to past successes, has turned out to be a double-edged sword. Recent government successes in regaining Indian support have injured the guerrilla groups in direct proportion to the extent to which they had depended on the Indians. Consequently, the EGP has been hurt most

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The first group to split from the PGT was the FAR, in 1968. FAR leaders objected to PGT demands that the party's military wing (the FAR) be subordinate to the party's Central Committee, which felt that armed struggle was counterproductive if embarked upon prior to gaining sufficient mass support through political work. EGP founders split from the FAR the same year to form their organization "abroad" (the EGP returned to Guatemala in 1972). They had decided that the FAR's lack of appreciation of the Indian issue would always limit the possibilities for success. ORPA split from the FAR for similar reasons at about the same time, although it appears that ORPA leader Asturias also objected to the thorough-going Marxism of the FAR and the nascent EGP. The PGT-D, the most recent splinter group, separated from the PGT-O in 1978. The PGT-D's reasons for splitting off mirror those of the FAR; the PGT-D is, however, much less doctrinaire.

Weapons Obtained From Security Forces, Foreign Supporters

Guatemalan insurgents obtain many of their weapons through attacks on isolated national police posts and in-transit army units. Others are obtained from abroad. The type of weapon recovered from the guerrillas says a great deal about its source. Their attacks on the police would generally net them US-made. M-l rifles; their attacks on the army would yield Israeli-made Galil rifles.

American-made M-16 rifles are not used by the Guatemalan security services; hence, the guerrillas' are clearly imported. A few of them were in the US inventory in Vietnam. The Vietnamese probably did not ship these weapons directly to the insurgents. More likely, Cuba obtained them from Vietnam and then transferred them to the guerrillas. It is also possible that Vietnam sold some of them to international arms merchants to obtain foreign exchange and had no control over their subsequent transfer. None-theless, most M-16s probably are obtained by Cuba on the world arms market.

A Guatémalan Army report noting the number of weapons lost and recovered in recent months indicated that 30 "assault" rifles were recovered in the accounting period while 31 "Galil" rifles were lost. (The report does not indicate whether the rifles recovered were M-16s or Galils.) The same report notes that 15 M-1 rifles were lost and 3 recovered. Similarly, 83 grenades were lost and 129 récovered. In short, there appears to be a rough equilibrium between weapons lost by the government and recovered from the guerrillas.

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Numerous reports, particularly from government sources, state that imported guerrilla weaponry enters Guatemala from two primary supply lines, both originating in Cuba. One route is said to traverse Mexico, where it splits in two before entering Guatemala. The northern portion of this route would enter Guatemala in El Peten near the confluence of the Rio Usumacinta and the Rio de la Pasion, where weapons could be transferred to FAR guerrillas. The southern portion would enter Guatemala at several points, primarily in Huehuetenango, in order to supply EGP and ORPA guerrillas operating in the altiplano.

The other primary route, like the FMLN supply, line, is believed to traverse Nicaragua and Honduras before entering Guatemala from the east. Although the British Forces Belize have stated repeatedly that no weapons enter Guatemala from Belize, it remains possible that a small number do, following shipment from Cuba or Nicaragua.

Two other sources of rifles for the insurgents have been the US and Mexico. In July 1982, the Guatemalan Army captured two American-made M-14 rifles. It was not possible to determine whether they came from Vietnam stocks. In August 1982, an attack on an ORPA camp netted several rifles of Mexican Army origin.

Covernment forces in the summer of 1981 attacked a Guatemala City arms trafficking center jointly administered by ORPA and the EGP. Documents found during the raid indicated that 28 vehicles modified to conceal weapons had been used by the insurgents to import weapons from Nicaragua and Mexico; the vehicles found at the scene obviously had traveled through both countries. Weapons found included US-made AR-15 rifles and Soviet grenades. All five guerrillas killed had been armed with M-16 rifles. Some of the center's weapons had been destined for the FAR.

Insurgents Regularly Use Mexican Territory for Supply, R&R

Three URNG member organizations make regular use of Mexican territory for supply and for rest and recuperation. In November 1982, a combined army/CDF patrol followed a guerrilla trail a short distance into Mexico and surprised 125 guerrillas in the act of uniteding supplies from a twin-engine aircraft. Captured EGP documents included instructions on how to behave in Mexico in order not to jeopardize this safe haven.

Geographic proximity is the primary reason for the Guatemalan guerrillas use of Mexican territory. All URNG members except the PGT-D operate in territory bordering Mexico.

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Ideology also helps explain guerrilla use of Mexican territory. For several years, Mexico has supported Central American "liberation movements" in international forums; recent information indicates that this policy will continue under President de la Madrid.

Guatemalan officials, including Rios Montt, regularly assert that Mexico condones large levels of arms smuggling through and guerrilla training centers on its territory. Repeated Guatemalan incursions into Mexico, however, have yet to yield solid evidence of this. What the Guatemalans consider guerrilla training centers are described by American Embassy personnel and international observers as refugee camps. It is likely that guerrillas residing in refugee camps cache their weapons in Guatemala and engage in training only at safe distances from the camps.

In January 1982, five FAR members were detained by the Mexican Army in the area of La Libertad, Chiapas State. Four of them were involved in purchasing food and medicine in Mexico and transporting it to El Peten. The fifth had entered Mexico to test the FAR's radio network to determine whether command and control could be established in Mexico should that become necessary.

The source of many problems related to the refugee camps has been their proximity to the border. Some are located within a few hundred yards of Guatemala. The Mexican authorities have started to reduce the potential for incidents by moving the camps back from the border.

Rifles and Beans Policy Guides Counterinsurgency

Since Rios Montt came to power on March 23, 1982, the government's counterinsurgency operations have been guided by his rifles and beans policy. Under this policy, persons who support the government are rewarded with food, work, and housing assistance from the National Reconstruction Committee. Those who oppose the government are met with force.

In much of 1982 the army guided its operations by labeling villages white, pink, and red. Friendly villages were white, enemy villages were red, and villages of uncertain allegiance were pink. Residents of red villages were warned to move to "strategic villages" or face the consequences when army operations were conducted in the area. This phase of the army's counterinsurgency operations has come almost to an end: The emphasis recently has been to move villagers back to the abandoned villages; the government hopes to finish the moves before the 1983 spring planting.

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In recent months the army has effectively blended food aid, civic action, and the formation of CDFs into its strategy for dealing with the various types of villages. Civic action programs and CDFs are readily organized in the "white" villages. In "pink" ones, exceptional care is spent in determining who should hold CDF leadership positions. Residents of the few remaining "red" villages no doubt would do well to leave them.

Both Sides Have Engaged in Massacres

Allegations that the army has regularly massacred every man, woman, and child in "red" villages are countless: Many of these reports are fabricated. Nonetheless, government responsibility for at least two such incidents is well established.

In September 1982, about 70 civilians, including women and children, were killed by army troops near La Estancia de la Virgen in Chimaltenango. In December, troops killed every one of the several hundred inhabitants of the region known as Los Dos R's in El Peten, including members of the recently formed CDF.

The guerrillas have committed similar atrocities. In June in El Quiche the EGR killed 120 men, women, and children in the village of Chacalte. In May, EGP members killed 20 people in the Alta Verapaz village of Salacuin; and a like number were massacred in April by insurgents in the Chimaltenango village of Chipiacul. Numerous other such incidents have been documented.

Both Sides Are Responsible for Depopulated Areas

Both the government and the guerrillas have carried out programs designed to depopulate contested areas. The army has often notified residents of remote villages that they must move to the nearest "strategic village" or be considered guerrilla sympathizers and face the consequences. The guerrillas likewise have ordered people to leave their villages and move to areas beyond the army's reach.

Recent government tactics, however, have aimed at repopulating villages abandoned during the fighting. This policy follows several months of repeated government successes in counterinsurgency operations. But when the government recently urged the 1,600 former residents of Barrillas, a village in north-western Huehuetenango, to return to their homes, the EGP countered with propaganda urging the people to fight alongside the EGP, not

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against their brothers. Only some 60 people returned to their homes in the two weeks following this interchange.

Insurrection Led by EGP in Recent Years

EGP Most Hurt by Army Gains

In the past few years the most powerful Guatemalan insurgent organization was the Cuban-line Guerrilla Army of the Poor (EGP). Army gains in 1982, however, harmed the EGP more than its URNG comrades. As a result, ORPA appears to be the government's chief threat in 1983.

Although also active elsewhere, the EGP is based in the altiplano Departments of El Quiche and Huehuetenango. The EGP's 1,000-1,300 combatants are organized in six fronts (see chart, p. 10). Local Irregular Forces (FILs) of Indians and campesinos provide logistical support; some of them have received training in the use of firearms.



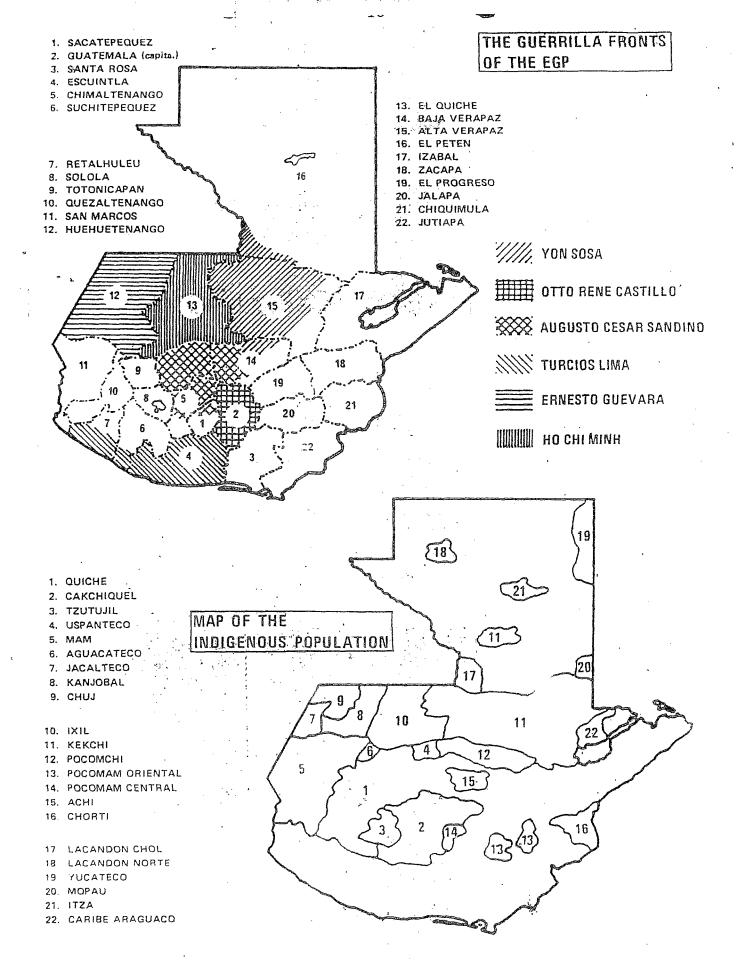
The EGP's success in recent years led the army during 1982 to focus most of its resources on containing EGP fronts. The Tigres task force was deployed in northern El Quiche and the Gumarcaj task force in the southern part of the province to deal with the Ho Chi Minh front. The last of the three original task forces, the Iximche task force, was deployed in Chimaltenango to combat the Sandino front. The task force concept, and the small-unit patrolling that accompanies it, has been so successful that the government has recently created two more to contain ORPA and another to deal with the FAR.

Inclusion of Indians Key to EGP Successes and Failures

The EGP has emphasized the value to the insurgency of the Indian and has occasionally used Indian languages in its tactical communications and propaganda. It has made considerable propaganda headway with its claims that the government is engaged in a campaign of genocide against the Indians.

As the government has gained Endian supporters through its rifles and beans policy, however, the EGP's dependency on the Indians has become a liability. EGP infrastructure has withered

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away as the Indians have enrolled in Cors and received government largesse. Villages with competent CDFs have been particularly ill-advised targets for the EGP.

EGP Governed by National Directorate

The EGP has been governed since 1974 by a National Directorate. The Directorate is known to include Silvia Solorzano Foppa ("Rita" or "La Chapurra"), Victor Manuel Lopez Vasquez ("Vicente"), Jovita Isabel Ayula de Lopez ("Josefina"), and "Juan Jose." The Guatemalan Government believes that all members of the Directorate have fled Guatemala in the face of the army's 1982 offensive.

Julio Cesar Macias Mayora ("Cesar Montes"), age 40, founder of the EGP, was reported to have retired to Mexico in 1979 when his health failed after years of guerrilla life. The current official leader of the EGP, 52-year-old Ricardo Arnoldo Ramirez de Leon ("Rolando Moran"), has not returned to Guatemala since attending the 1980 Managua talks. The EGP's forces are currently led by "Comandante Manolo," whose true name is not known.

EGP Headquarters Could Be in Ixil Triangle or Mexico

Little information has been received on the location of the EGP's operational headquarters, although it is well known that the EGP initiated its organizational phase near the Ixcan River in northeastern Huehuetenango Department in 1972. Considering the losses recently taken by the EGP, it is possible that its operational headquarters has been moved to Mexico.

Until recently, the EGP's strength was greatest in northern El Quiche. EGP headquarters probably was, and may still be, located there in the region known as the Ixil Triangle.

EGP Actions Began in 1975

EGP cadre spent three years organizing before their first combat action. On May 28, 1975, the EGP military phase began in earnest when cadre killed military commissioner Guillermo Monzon. This was followed in June by the killing of Luis Arenas, labeled by EGP forces as the "Tiger of Ixcan." The EGP asserts that marimbas were brought out in celebration of Arenas' death.

The Ixil Triangle takes its name from the Ixil Indians who people the area. The points of the triangle are formed by the cities of Nebaj, San Juan Catzal, and Chajul. The Guatemalan Army

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has deployed troops in all three cities, imposed curfews, and issued special ID cards. It sends numerous patrols into the outlying districts. Pacification of the area has proved difficult to achieve, however, and resupply of the garrisons is accomplished by helicopter or heavily guarded convoys. Although the army has made great progress in this region, its patrols regularly engage EGP opposition.

Six EGP Fronts, Named for Revolutionaries, Span Guatemala

The EGP has organized guerrilla fronts in almost every Department in the country. Its strength is concentrated, however, in the Mexican border Departments of Huehuetenango and El Quiche.

All EGP fronts historically were governed by the "Front Directorate." A recent report indicates that each front now has been assigned a military command which reports directly to the EGP National Directorate rather than the Front Directorate.

"Che" Guevara Front Once Effectively Controlled 75 Percent of Huehuetenango. The Che Guevara front poses one of the strongest guerrilla threats to the government. Although the army's 1982 offensive pushed the front into Huehuetenango's northern reaches, it continues to attack villages considered friendly to the government and to harass government forces. As recently as spring 1982 the front was considered to control 75 percent of the Department.

The Che Guevara front is divided into three columns. The strongest column operates in the Cuchumatanes Mountains north of the city of Huehuetenango, between the border with El Quiche Department and the Pan American Highway. The rough terrain has helped it inflict heavy casualties on village CDFs. To aid the CDFs in these confrontations, the army recently has given them M-l carbines.

The front's other two columns operate near Barrillas and Nenton. Although the government believes these two columns are very weak as a result of army actions, the people near Barrillas have yet to comply with the government request to move back to their village. Their refusal probably is related in part to EGP exhortations.

El Quiche's Ho Chi Minh Front Is EGP's Strongest. The Ho Chi Minh front, founded on January 19, 1972, is the oldest and strongest EGP front. It is under the command of former Jesuit priest Fernando Hoyos Rodriguez ("Carlos"). The front's area of

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operations includes "Indochina" (the frontier with Mexico), "Vietnam" (the eastern part of El Quiche), and "Hanoi" (the southern region of El Quiche which borders on the Sandino front).

Together with the Che Guevara front in neighboring Huehuetenango, the Ho Chi Minh front forms the backbone of the EGP. These two fronts are thought to comprise about 70 percent of the EGP's 1,000-1,300 combatants.

The Ho Chi Minh front is Guatemala's only insurgent organization to have mounted a sustained attack on a well-defended army post. Ho Chi Minh front forces killed three officers and nine soldiers in their January 1982 attack on the army post in San Juan Cotzal.

The low casualty Figures of the San Juan Cotzal attack belie its importance. The government's immediate reaction was the Army Chief of Staff's decision to go to the scene personally to direct the defense effort. For the longer term, the lesson learned entered into the army's current strategy of deploying new task forces throughout the altiplano to combat the guerrilla threat through aggressive small-unit patrolling.

Chimaltenango's Sandino Front Currently in Decline. The army's 1982 offensive dealt the EGP severe blows in Chimaltenango. Here, as elsewhere, the formation of CDFs has been very effective in denying insurgents the logistical support they require, and the government's civic action program has shown villagers that the government is able to deliver on promises of food, housing assistance, etc. The level of army brutality toward villages considered to "belong" to the EGP and other insurgents also could have affected the decisions of villagers about which side to support. In any event, by the fall of 1982 EGP fortunes in Chimaltenango had waned to such an extent that the EGP requested the assistance of a FAR unit from El Peten.

The EGP front in Chimaltenango is named for Augusto Cesar Sandino. The EGP formed the front at the height of its fortunes on July 19, 1981. At the time, control of Chimaltenango, which lies between the capital and the altiplano, was the logical next step in the EGP's drive to take power.

The Chimaltenango Department is a difficult zone for guerrilla warfare because it has characteristics of all three of the politico/military/geographic environments into which EGP planners have divided Guatemala: urban, mountainous, and flatland. Its

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proximity to the capital permits relatively swift reaction by government forces. Similarly, the Department's deforested state grants greater mobility to the forces already there. Finally, the diversified labor force makes propagation of class consciousness difficult because of the varying interests of the workers.

Yet the EGP believed that certain factors in Chimaltenango would act in its favor. The dispersed population pattern of Chimaltenango is similar to that found in the altiplano; the isolated farms are good targets; and the excellent transportation facilities permit guerrilla units to use whatever level of logistical support is available from insurgents based in the capital. Most of all, the EGP hoped it could incite the largely Indian population into revolt merely by fanning traditional feelings of discrimination, without having to introduce the sometimes alienating Marxist-Leninist concept of class struggle.

Recent reports indicate that guerrilla activity in Chimaltenango has abated substantially. The EGP is now occupied with defending its home base in Huehuetenango and El Quiche.

Yon Sosa Front Targets Oilfields, Hydro Projects. The Yon Sosa front is found in Alta Verapaz Department, Baja Verapaz Department, and the southwestern corner of El Peten. The front is believed to have about 100 combatants and is active. The army has not yet deployed a task force to combat Yon Sosa, leaving the responsibility to the forces regularly stationed in the Coban military zone.

Yon Sosa is commanded by Mario Alberto Dominguez Morales ("Atilio"). Its primary mission is harassment and sabotage of the petroleum industry. It regularly burns farms in the area surrounding the Departmental Capital of Coban and threatens work on the region's hydroelectric projects.

The front is named for Lt. Marco Antonio Yon Sosa, a participant in the coup attempt of November 13, 1960. In that incident, dissident junior officers attempted to overthrow the government because of its rampant corruption and support of the use of Guatemalan territory for training the Bay of Pigs invaders. Rather than lay down his arms when it became apparent the coup was doomed, Yon Sosa organized an insurgency and fought the government in the eastern provinces.

In 1966 Julio $\underline{\texttt{Mendez}}$ Montenegro campaigned for the presidency as the candidate of liberal democracy. The guerrillas decided to

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support him, at the behest of the moderate communist party (PGT). The night before the election, however, the police arrested 26 communists, including the leader of the party, and tortured and killed them.

Upon taking office, Mendez quickly destroyed the by-then disorganized guerrilla resistance. You Sosa escaped to Mexico, only to be killed by Mexican internal security agents.

Turcios Lima Front Operates on South Coast. The "Luis Augusto Turcios Lima" front is found in the south coast Departments of Escuintla, Suchitepequez, and Retalhuleu. Although it conducts regular actions in Escuintla, including assassinations of government officials and the burning of public buildings, it numbers no more than 50-75 combatants and is not a great threat to the government.

The front is named for 2d Lt. Turcios who, like Yon Sosa, left the army for the insurgency in 1960. Turcios was killed in a sportscar accident in October 1966.

Castillo Front in Capital. Guatemala City is supposed to be the territory of the Otto Rene Castillo front. Heavy security, however, has kept the front from carrying out many actions in recent years. Its decline resulted initially from the EGP decision to detail the front's militants to Chimaltenango in the summer of 1981 to help inaugurate the Sandino front.

EGP operatives in the capital have not been completely inactive, however. On November 7, 1982, for example, two guerrillas attempted to bomb a police vehicle. The army killed one and captured the other. Both were armed with M-16 rifles.

The Castillo front is led by Mario de Jesus <u>Payeras</u> Solares ("Roque"), known as a founder of the EGP and the author of such EGP publications as <u>The Days of the Jungle</u>. Its political sector is led by Gustavo Adolfo Meono Brener ("Manolo").

Otto Rene Castillo was an acclaimed Guatemalan poet who was killed by the government in March 1967.

EGP Ideology Emphasizes Prolonged Struggle

The EGP views insurgency, which it calls Popular Revolutionary War, as a long-term struggle to bleed the strength from the government. Its strategy emphasizes simultaneous efforts of

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military action, mass organization, and mobilization of international support in four successive stages of warfare.

The first stage of the EGP's in-country activities was carried out near the Ixcan River in northern Huehuetenango between 1972 and 1975. EGP founders reentered Guatemala from exile and began to establish a base among the Indians. During this period, the EGP engaged only in political work following its inaugural act in 1972 of burning an airplane.

The second stage of the war, which began in 1975, was armed. Early EGP attacks were of a low-level nature, such as the burning of farm buildings and the murder of administrative personnel.

The third phase of the war was initiated in the late 1970s, when the EGP began to attack army units and convoys. This stage is still in effect. The EGP makes no attempt to hold territory or engage government forces in large-scale battles.

Only during the fourth and final stage of war does EGP doctrine call for the declaration of liberated zones and an attempt to hold them from government troops. In light of the EGP's current strategic retreat, it is not likely to call soon for a shift to the tactics prescribed for the final stage of the struggle.

Guerrillas View Present "Coyuntura" as Favorable

The EGP believes that the present conjunction of circumstances (coyuntura) in the class struggle is highly favorable to the insurgency. Profound Guatemalan social transformations have taken place over the past 20 years. The EGP feels that the introduction of new agricultural technology has increased the exploitation of rural workers.

Many small landholders have been fraudulently deprived of their land. Similarly, the unchecked population explosion among the Indians has caused the size of Indian landholdings to dwindle to the point where self-sufficiency is not possible.

EGP ideology calls for spreading the war throughout the country and inflicting the greatest number of casualties on government forces by creating new guerrilla fronts in new territory whenever possible. EGP organizational work among the masses aims at their broad participation in the insurrection. Its propaganda emphasizes the government's discrimination against and oppression of the Indians, workers' grievances, and the people's right to the land.

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EGP Tactics Call for Increasingly More Devastating Attacks

EGP military doctrine emphasizes small unit actions against targets from which the attacking unit can disengage at will and on short notice. In practice, this means that most EGP and other insurgent actions are more "terrorist" than "military" in nature. Most guerrilla attacks are made from hidden positions upon unsuspecting targets, such as convoys. The guerrillas seldom attack army patrols in the field.

The simplest guerrilla action is "armed propaganda," which means coercing villagers by force of arms to attend propaganda meetings. The next action is sabotage, wherein farm machinery and buildings owned by the large agri-business operations are burned or bombéd.

Next are "military takings" of farms or towns. Generally, EGP forces will kill the owner of such a farm, an administrator "known for oppressing the workers," a spy, or a "hated" mayor, etc. These murders are termed "doing justice."

Attacks against military units are usually made while a unit is in transit. These are known as "ambushes" or "harassment attacks." Occasionally, EGP tacticians decide they have such an advantage of terrain, numbers, or surprise that they will undertake an "annihilation attack."

Foe of North American "Imperialism"

Anti-Americanism is a fundamental EGP tenet. EGP propaganda states that:

"After ten years of struggle we recognize all the more that North-American imperialism is our historic common enemy. We know that it will continue its attempt to drown the legitimate aspirations of our people for liberty and sovereignty in blood. But we are confident of victory and the justice of our struggle. For these reasons we demand that everyone continue doing what they can to further the cause of our people, whose solidarity is increasing at all levels, which contributes directly to the highlighting of the genocidal intentions of North-American imperialism and the governments which serve as its instruments. The victory of the Guatemalan people will be the victory over exploitation, oppression, discrimination, and repression."

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Less Marxist ORPA Approaching EGP in Strength

ORPA Based in San Marcos

The blows the EGP received from the army in 1982 have caused the traditionally second-ranked ORPA to be considered an equal threat to the government. While the EGP has been retreating into the remote regions of northern Huchuetenango and El Quiche, ORPA has continued to harass army forces throughout San Marcos, Quezaltenango, and the Lake Atitlan area of Solola. Nonetheless, ORPA did make an unprecedented public acknowledgment of its setbacks at the hands of government forces in Mexico City in October. In any event, the army has considered ORPA's threat great enough to merit the deployment of two new task forces to counter it.



ORPA is believed to have 600-800 well-armed combatants and numerous sympathizers. The region in which ORPA operates most freely is to the west and south of Lake Atitlan in Solola Department. Although it also has forces in the southeastern Department of Santa. Rosa on the Tecuamburo Volcano, they recently have suffered great losses at the hands of the army. Although the ORPA contingent on Tecuamburo once agreed to provide leadership and logistical support for the PGT-D separagiled local contingent, it is now in like circumstances and has approached the FAR for assistance.

ORPA's leadership split from the FAR in 1971 but did not engage in armed action against the government until 1979. Exactly when ORPA was formed is not clear. A fer 1979, however, it quickly grew into a formidable insurgent group. It operates in heavily armed columns of about 50 combatants, most of whom have been trained in Cuba.

Although it has been reported that almost all ORPA members have M-16s, in January 1983 ORPA was engaged in what it called "The Campaign of 100 Arms" to increase its firepower. Its goal was to obtain weapons from the army. To that end, one of the larger operations included the ambush of an army convoy south of Lake Atitlan on the road between Quezaltenango and Retalhuleu. Fourteen soldiers were killed, and numerous government weapons were recovered. These would have been Galil rifles.

ORPA Less Marxist Than Other Groups

Although it is an offshoot of the FAR, ORPA is not considered by its three colleagues in the URNG to be a Marxist organization.

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It is more a nationalist group that has vowed to cleanse the country of the "corrupt elite" which it alleges oppresses the people.

Under the leadership of Rodrigo Asturias Amado ("Comandante Gaspar"), ORPA has focused its opposition to the governing regime on corruption and other abuses rather than on ideology. This outlook is reflected in the propaganda that ORPA distributes to local Indians, none of which contains Marxist rhetoric.

Of the URNG member organizations, only ORPA's organizational logo lacks Marxist symbolism. It uses a depiction of an exploding volcano, compared with the ÉGP's likeness of Che Guevara and the FAR's and PGT-D's hammer and sickle.

An indication of Asturias intention to avoid becoming a Marxist pawn was his veto of the dispatch of a URNG delegation to Europe in early 1982, because the trip was to have been sponsored by the communist front World Peace Council. His action was based on the ORPA belief that no one tendency within the URNG should be able to dominate foreign contacts merely because it could draw on the financial support of an external organization of a specific orientation.

ORPA Recently Reduced Primary Fronts to Two

Although ORPA has been doing better than the EGP in confrontations with government forces, it has taken its share of losses. As a result, it has reduced the number of its primary fronts to two. One of these commands operates in the vicinity of Lake Atitlan; the other is active in San Marcos. A third front on the Tecuamburo Volcano in San Marcos is in very poor shape and under severe pressure from the army.

ORPA's headquarters probably is in Mexico. Its former headquarters on the slopes of the Tajumulco Volcano northeast of the city of San Marcos was overrun by army forces in August 1982. Asturias and most of his men were able to escape. But Asturias' deputy, "Comandante Manuel," was one of 11 ORPA combatants killed in the engagement.

Prior to the recent consolidation, two ORPA fronts operated from the Tajumulco Volcano. Each had about 50 well-armed, Cubantrained combatants. These fronts probably continue to operate under the aegis of the newly consolidated command structure. One, known as "Diego Tzoc," is under the command of "Comandante Anibal." The other, known as "El Brote," is commanded by "Captain Nay."

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ORPA's Lake Atitlan forces were led for quite some time by an allegedly brilliant mathematician named Ricardo "Dicky" Stein, whose father is a leading member of Guatemala's Jewish community. Although Stein may still lead a column in this vicinity, overall control is now in the hands of Pedro Pablo Palma Lau ("Poncho"). Palma is considered one of ORPA's best field commanders despite the fact that his chronic asthma weakens him to the extent that he needs assistance to leave the field following combat.

ORPA forces operating in San Marcos are led by "Comandante Isaias," an excellent tactician. His was the force that carried out the above-mentioned attack on the army convoy.

ORPA also has a limited urban front. It is led by "Raphael," whose true name is not known: His deputy is FNU Dary ("Agimael"), whose brother, Dr. Mario Dary, a former rector of the University of San Carlos, was killed in December 1982.

An indication of the level of army concern about the situation in the Lake Atitlan area was the January 1983 formation of a "regional command" in Retalhuleu under the direction of the army's Deputy Chief of Staff. This action had been preceded last fall by the formation of the "Quirigua" task force at Santa Ana Belin in San Marcos.

ORPA grew quickly following its inception in 1979. One of its early goals was to be able to operate in the capital as well as in rural areas. For this reason, ORPA embarked upon a rapid expansion of its urban safe-house network.

The speedy growth of ORPA's urban operation, however, was not accompanied by good security. As a result, in the summer of 1981 the army was able to destroy most of ORPA's urban apparatus with raids on more than 25 safe houses in which more than 30 cadre were killed. The army captured tons of weapons and supplies in that effort. By mid-1982 ORPA felt confident enough to attempt to reestablish its network of safe houses in the capital. This undertaking, however, has been rather effectively contained by heavy government security. Government control of traffic into and out of the city has made resupply of weapons from the few urban safe houses to rural cadre almost impossible.

Government successes against ORPA have also been quite marked in Chimaltenango. In the fall of 1981 ORPA had attempted to expand from its San Marcos base area into Chimaltenango. It took such heavy losses, however, that it was forced to leave Chimaltenango to the EGP's Sandino front.

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ORPA's forces on the slopes of the Tecuamburo Volcano in Santa Rosa also have been seriously affected by army attacks. The ORPA column based there had 55 combatants in June 1982 and only 30 three months later. It has ceased operations and concealed its combatants within the coffee harvest workforce on the volcano.

ORPA Leader Asturias Is Classic Caudillo Figure

"Comandante Gaspar," the son of Nobel Prize-winning author Miguel Angel Asturias, is a strong and persuasive leader who has great difficulty cooperating with others. Since the beginning of attempts to unify the Guatemalan opposition, Asturias has been the stumbling block. He almost believes his repeated contention that ORPA can win the war without the help of the other insurgent organizations.

Asturias has a long history of involvement in left-wing struggles to overthrow the Guatemalan Government. He joined the PGT while still a student but broke away in the late 1960s following a dispute with the leadership over its refusal to adopt armed struggle.

Asturias joined the FAR in 1971 to take part in its insurgency in El Peten. Almost immediately he developed an intense personal dislike for FAR leader Jorge Ismael Soto Garcia ("Pablo Monsanto"). This dislike, no doubt influenced by Asturias' coveting of Soto's leadership position, was also based on strong differences of opinion over strategy:

Asturias believes firmly in incorporating the Indians into the guerrilla war as combatants. Soto, however, at least until recently, has felt that Indians are unfit to be revolutionaries because they have yet to pass through the "proletarian" phase of class development.

Asturias dislikes EGP official leader Ricardo Ramirez de Leon ("Rolando"). Ramirez is Asturias' primary competitor to be Guate-mala's Fidel Castro. Additionally, the EGP has mounted terrorist attacks in Guatemala City without coordinating them with ORPA. Asturias believes this threatens the fragile unity of the guerrillas.

Despite his adoption of the revolutionary struggle, Asturias retains much of the bourgeois lifestyle he lived as a youth in Paris and other European capitals. He is fond of expensive cognac and scotch and has a well-known weakness for women. He has recognized the leadership position of his subordinate commanders by giving them expensive Rolex watches and mini Pentax cameras.

ORPA was created by Asturias as his personal vehicle; as such, it reflects his social beliefs and military strategy. Some clues

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Asturias' beliefs, and hence those of ORPA, are given by Asturias' adoption of the name "Gaspar" as his nom de guerre. "Gaspar" was one of the protagonists of the novel Hombres de Maiz (The Corn Men) by Asturias' father. The novel concerns the harsh struggle of the campesinos to survive in the face of rampant government corruption and excesses.

ORPA Uses Indian Combatants But Not Followers

Asturias' long-held belief that Indians should be incorporated into the guerrilla movement as combatants was a factor contributing to his departure from the FAR. ORPA's use of Indians is tempered, however, by Asturias' view of ORPA as a disciplined military organization. ORPA troops are generally considered to be the best trained and armed in the guerrilla movement.

Because Asturias sees ORPA as a military organization, he does not permit the use of followers. Thus, ORPA has a much smaller base of supporters than the EGP, which makes extensive use of Indian logistical support. This smaller base is also due to ORPA's lack of a vision of a full-scale social movement akin to the Marxism of the EGP.

ORPA's Indian strategy, which once caused it to lag behind the EGP in strength, is currently enabling it to weather army pressure better than the EGP. Because ORPA did not depend on a broad-based network of Indian supporters for logistical needs, army neutralization of such supporters has hurt it less.

ORPA strongly objects to the current EGP strategy of attacking villages containing CDFs and engaging in wholesale human rights abuses. It is ORPA's view that such a policy will only cause more defections from the guerrilla cause. ORPA has continued its program of burning fincas, engaging in selective killings, and harassing the army and police. It does not single out CDFs as targets of opportunity. This aids its propaganda effort describing ORPA as the true friend of the people.

Two ORPA Spinoff Groups Have Been Thorn in Government's Side

The first group to split from ORPA was known as "Our Movement" (NM). It was led by current ORPA Comandante Pedro Palma's brother Edgar. Edgar Palma Lau, at one time also an ORPA comandante, left ORPA in 1979 with a third Palma brother, Minor, to found the NM. The brothers left ORPA because they felt it should have a political as well as military program. NM was thought to have gone into a dormant state after Edgar was killed by government forces in January 1982.

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In October 1982 Minor Palma Lau and a former ORPA comandante called Efrain broke away from NM to form the People's Revolutionary Movement (MRP). The MRP initiated its activities with the kidnapping of a nephew of Rios Montt. Its next action was the kidnapping of the Guatemalan daughter of Honduran President Suazo.

The MRP had hoped to use the kidnapping of the President's nephew to force the release of a fellow guerrilla, Ileana del Rosario Solares. But Ms. Solares died while in government hands. Before her death she provided considerable valuable information on the NM, which was larger and better organized than had been thought.

The President's nephew was released by a raid on the MRP safe house in which he was being held. The raid was planned by six Israeli advisers assigned to the Presidential Intelligence Service. The government's efforts to gain tactical intelligence through the interrogation of captured MRP cadre were directed by two of the Israeli advisers.

Two guerrillas were killed in the assault upon the safe house, and several weapons were captured. These included two Israeli-made . Uzi submachineguns and three American-made Browning 9 mm pistols.

FAR Operates in El Peten

FAR Not Hurt by Current Offensive

Guatemala's intelligence community believes that the doctrinally pure Marxist-Leninist FAR is potentially the most dangerous of the Guatemalan guerrilla organizations. The FAR is a serious problem for government forces in El Peten and will continue to be so at least until the new task force recently organized to combat it becomes fully operational.

FUERZAS ARMADAS REBELDES

The FAR has engaged in relatively few military actions in the past three years compared with the EGP and ORPA. During this time it has built its forces to 150-300 combatants and sent many of them to Nicaragua and Cuba for training.

The FAR's El Peten forces have suffered little in the ongoing army offensive; reports are regularly received of FAR actions throughout the Department. Its success in El Peten led the FAR to detail a group of highly trained commandos to Chimaltenango to aid the EGP's ailing Sandino front.

The FAR has inflicted the greatest number of casualties on the army in a single engagement in the conflict. This occurred in October 1982 when it killed 19 troops in an ambush initiated by the explosion of a claymore mine. The FAR confiscated the weapons carried by the detachment, presumably Galil rifles, and withdrew.

Shortly after this attack, the army responded by burning the homes and crops of two nearby villagers for their support of FAR activities. The FAR retaliated with an attack on a neighboring village. The army's massacre of the people of Los Dos R's came shortly thereafter.

The government is taking the FAR threat seriously. The army's newly formed strategic reaction force has been assigned to a new task force in El Peten for just this reason. After the task force has had an opportunity to organize patrol bases in remote reaches of its area of operations and CDFs in nearby villages, it should have the success that has crowned similar efforts in the altiplano.

An important aspect of the government's recent program has been its emphasis on combatting the latent insurgency created by government and societal abuses of the population. If similar progress is to be made in El Peten, the army will have to prevent incidents like the one at Los Dos R's. In that instance even CDF members who had demonstrated their loyalty to the government were slaughtered. Such incidents, outrageous enough in the abstract, are particularly unwise considering the crucial role the CDFs have played in the government's successes to date.

FAR Has Four Operational Zones

The FAR's national directorate is located in Guatemala City. From there, the activities of the forces in the other three zones are directed. FAR's other zones are El Peten, Chimaltenango, and the Santa Rosa area.

The FAR denominates El Peten as the Captain Androcolos Hernandez region, which has three fronts. The Raul Orlantes Trocoli front operates in central El Peten and near Melchor de Mencos on the border with Belize. The Feliciano Argueta Rojas front operates in the region between Flores and Poptun. The most active El Peten front is the Lucio Ramirez front, which operates in the western part of the Department near the Mexican border. It is the Turcios Lima column of the Ramirez front that is thought to be responsible for the Sayaxche ambush and many other recent incidents near Las Cruces.

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The focus of FAR's activities in its central region has been Chimaltenango, the territory of the Tecum Uman front. The forces now constituting this front were transferred from El Peten's Argueta Rojas front. The Tecum Uman front, though not as powerful as when it arrived, is the source of most of the army's remaining problems in Chimaltenango; the EGP's Sandino front has been effectively nuetralized. The other FAR front in the central region is the Captain Sergio Anibal Ramirez front, which operates sporadically in Guatemala City and surrounding villages. It is only a minor irritant to the government.

The southern region of the FAR includes the Departments of Escuintla and Santa Rosa. The Capt. Santos Salazar front which operates in this region has traditionally lacked the support of the top FAR leaders and has never been very active. However, the FAR may have decided recently to invigorate the front. One report indicates that 45 combatants who have just completed training in Cuba will be assigned to the Santa Rosa region.

Confident FAR Now Intriguing Against Declining EGP

Recent activities of the FAR indicate that it considers EGP power to be waning. It also appears to concur in the army's assessment that ORPA is the greatest near-term threat to the government. As a result, it has sought to improve its position in Guatemala's revolutionary ranking. Its most ambitious effort has been to marginalize the EGP front in Chimaltenango. At the same time, however, it is making overtures to its estranged parent organization, the PGT-O, and offering its "support" to struggling ORPA forces on the Tecuamburo Volcano in Santa Rosa, where it would send the Cuban-trained combatants.

The EGP feels threatened by FAR activities in Chimaltenango. Although both organizations have been punished by the army's offensive, the FAR has been able to mount operations more easily than the EGP.

The FAR believes that the URNG will remain a paper organization until the members can learn to work together for their common good, presumably as defined by the FAR. Indeed, in the past the FAR has bowed to the ideal of URNG unity by refusing to have bilateral relations with the non-URNG member PGT-O, insisting that the PGT-O approach the URNG as a whole. In mid-December 1982, however, the FAR changed this policy and offered to establish bilateral relations with the PGT-O. The FAR cautioned the PGT-O not to make this approach known to the URNG.

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FAR Led by "Pablo Monsanto"

Jorge Ismael Soto Garcia ("Pablo Monsanto"), age 42, has led the FAR since the late 1960s. Only sketchy information is available on other FAR personalities. "Comandante Ramon" is a member of the National Directorate and in charge of international relations. Soto recently ordered that Nicolas Sis, FAR's representative on the URNG, be replaced by Ramon Ortiz of the Guatemala City unit.

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Soto, described as a ruthless Marxist-Leninist terrorist, is said to have become a guerrilla at the age of 15. He is a rather inflexible person not known for strategic vision; primarily he is a tactician who leans heavily upon subordinates for political and ideological advice. Nonetheless, Soto has differed with subordinates on the question of recruitment of Indians which, until recently at least, he opposed. He has argued that recruits should come exclusively from the proletariat and non-Indian peasantry.

The FAR has long been strongly anti-American. In 1968, its operative Leonardo Castillo Johnson led the group that killed two American military personnel, Col. Webber and Lt. Cdr. Munroe. Castillo was bent upon vengeance for the death of his girlfriend Rogelia Cruz, a former Miss Guatemala, who was killed by the security forces. The FAR is also responsible for the 1968 murder of US Ambassador John Gordon Mein.

The FAR was formed in 1962 as the military arm of the Guatemalan Labor (Communist) Party (PGT). It split from the PGT in 1968 because of differences over the party's reluctance to enter armed struggle.

PGT-D Is Junior Member of URNG

PGT-D Crumbling Under Government Pressure

The National Direction Nucleus (i.e., dissident wing) of the Guatemalan Labor (Communist) Party (PGT-D) operates primarily in Guatemala City and Chimaltenango, although a bedraggled unit struggles to survive in Santa Rosa. The PGT-D has considerably fewer than the 200 combatants it was estimated to have in late 1982. It has had difficulty establishing meaningful contact with other Guatemalan guerrilla organizations, and by the end of 1982 was plaintively requesting aid from all comers, especially ORPA and the FAR. Its final humiliation, perhaps, is

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and the FAR. Its final humiliation, perhaps, is its indication that it is willing to merge once again with the PGT-O.

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The PGT-D in 1981 sent 19 militants to Cuba for training. As of late July 1982, none had returned. Although the party knew that three of its members had been killed attempting to enter Mexico without documents, the fate of the others was unknown.

The PGT-D was reported to have had more than 400 active members in the spring of 1982, but by the end of the summer the government had reduced that number to 200. Of the 200, the majority were said to be in Chimaltenango and the remainder in the capital and Santa Rosa. Many former PGT-D militants in Chimaltenango reportedly have joined CDFs.

Cardoza Formed PGT-D in 1978

The PGT-D split from the orthodox wing of the party in 1978 because of continued PGT unwillingness to embrace armed struggle as the tonic for Guatemala's social ills. Personality conflicts also entered into the decision. The PGT-D's founder, longtime communist Jose Alberto Cardoza Aguilar, age 64, had lived in Mexico in the 1973-77 period. He had been upset that he was not given a responsible assignment upon his return to Guatemala.

Cardoza's colleagues within the PGT-D also have recently shoved him aside. They were angered because Cardoza had not returned to Guatemala since late 1980, when he went to Managua and Havana for the early talks on unification of Guatemala's guerrilla organizations. The central committee of the PGT-D voted on July 29, 1982, to name Manuel Contreras ("Comandante Tino") as permanent Secretary General of the PGT-D and offered Cardoza the post of Secretary General for International Affairs on a take-it-or-leave-it basis. It has also been reported, however, that the PGT-D is now led by Carlos Gonzalez.

The losses incurred by the PGT-D last summer have caused it to explore the possibility of reunification with the orthodox wing of the party, the PGT-O. The PGT-D is even willing to accept a secondary role in a reunited party. Cardoza's ouster makes it more likely that a reunification will occur.

PGT-O; "Moderate" Soviet-Line Party

PGT-O Historically Reluctant To Embrace Armed Struggle

The final actor on Guatemala's revolutionary stage is the orthodox wing of the Guatemalan Labor (Communist) Party (PGT-O). Although all four URNG member groups sprang from it, the PGT-O has

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never become a member of URNG. It has not initiated a program of guerrilla warfare because it believes that politicization of the masses must precede armed struggle. A careful analysis of the PGT-O's actions, or inactions, reveals that by the standards of American constitutional law it is basically a democratic party in that it does not advocate "immediate" violence as the solution to the country's political problems.

The PGT-O has, however, begun preparation for combat. In December 1981, it organized its military arm, the Popular Forces, of the People (CFPP). Currently it is engaged in extensive training operations. Whether it will soon enter combat and the URNG or choose to participate in elections will be determined by the fortunes of party leader Ricardo Rosales Roman as he attempts to bow to the militants, with the support of military training, yet defer military action on the grounds that the time is not yet light.

Rosales no doubt will argue for participation in the elections. This could split the party again or terminate Rosales' career as leader.

Communist Countries Train PGT-O Cadres

As the "official" Communist Party of Guatemala, the PGT-O has received a great deal of aid and training from the Soviet Union and other bloc countries, Rosales has visited the Soviet Union and other bloc countries on numerous occasions in search of military aid and training.

Ten PGT-O militants received three months of medical corps training in East Germany in the spring of 1982. In September, the party sent nine members to the Soviet Union for six months of military training at the captain level.

Cuba has also provided assistance for the PGT-O. Thirty PGT-O members began two months of military studies there in June 1982. In addition, Cuba gave six party leaders 40 days of training at the general staff level and offered to train 12 others as company leaders. Czechoslovakia has made a gesture of support for the PGT-O by sending it a large offset printing press for its propaganda operation in Mexico City.

Other guerrilla organizations in Central America have aided the PGT-O. The Salvadoran insurgents organized a program for training 14 PGT-O members at a time and suggested that the program be expanded to 30 students by January 1983. The Salvadoran Communist Party in 1932 hosted a six-week course in Managua for four PGT-O members on the production and handling of explosives and mines.

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Sandinistas Cool to PGT-O

When Cuba directed several PGT-O members to avoid Mexico and travel through Nicaragua on their way to Havana in early 1982, the Nicaraguans refused to assist them, saying they had no lodging facilities. The Sandinistas have agreed, however, to permit Bulgarian arms to be transshipped from Cuba through Nicaragua to the PGT-O.

Nicaragua's unwillingness to be particularly helpful to the PGT-O was also illustrated in September 1981, when FSLN junta members Tomas Borge and Daniel and Humberto Ortega were unsuccessful in an attempt to aid the PGT-O. The Nicaraguan faction opposed to entry of the PGT-O into the guerrilla struggle was led by Jaime Wheelock. His faction supported ORPA, EGP, and FAR.

The PGT-O believes that this Nicaraguan preference for the other guerrilla organizations is based on the PGT-O's status as a party of intellectuals. PGT-O leaders believe that the Nicaraguans fear the PGT-O intellectuals would be able to dominate the other groups. More likely, however, the Nicaraguans fear that the action-oriented guerrilla organizations would be smothered into inaction by the tendentious rhetoric of the PGT-O.

PGT-O Sees Itself as Arbiter of Marxist Tenets

As the "orthodox" Communist Party of Guatemala, the PGT-O feels that it is the annointed interpreter of the Marxist gospel. It regards the other guerrilla forces as having combined a belief in old-fashioned communist dogma with only a half-understanding of Marxist-Leninist principles. This confusion, according to the PGT-O, results in internal frictions and the erroneous belief that socialist regimes can be established as soon as a military victory is achieved.

The PGT-O holds that there can be no instant socialism in Central America. Such fundamental social change can take place only after a long period of political indoctrination during good economic times. In order to build a strong economy in a revolutionary Guatemala, the PGT-O believes that aid and investment from the capitalist countries would have to be attracted. To do this, a policy of genuine nonalignment would have to be adopted.

Long discussions of Marxist philosophy appear to have enervated the party. As noted above, it only recently came to the decision that the politicization of the masses may be nearing the point necessary for the initiation of armed struggle. Such a decision, if put into effect, would come at the wrong time,

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considering the progress the Rios Montt government has made in social reform, i.e., in removing the root causes of the insurgency.

With just a few exceptions, perhaps including the kidnapping of newspaper owner Alvaro Contreras, the PGT-O has embarked only on training expeditions, not terrorism and guerrilla warfare.

PGT-O Leader Under Fire for Inaction

PGT-O leader Rosales is about 50 years of age. He is by nature a cautious and somewhat opportunistic person and is not considered to be a hardline Marxist-Leninist. He appears amenable to having correct, businesslike relations with the US should he come to power.

In June 1982 Rosales was the object of an intrigue led by Central Committee member Carlos Orantes Troccoli. The Orantes faction charged that Rosales had been delaying efforts to prepare the PGT-O to enter the military struggle in Guatemala. Rosales offered to resign if the committee so desired. That it did not make the request apparently was credited as much to Orantes' not being considered an able leader as to Rosales' popularity.

Rosales was once described by an Embassy Guatemala officer as a believer in "peaceful coexistence." He appears to have joined the JPT, a communist party youth group, in 1956. At any rate, he led it to victory in the student government elections at the University of San Carlos in 1962, when he was elected President of the University Student Association.

After the Revolution

URNG Statements on Postwar Government Positive

As recently as July 1982 the URNG was considered to have the capability to seize power by 1985. This no longer appears to be the case. Nonetheless, it is useful to consider statements by the URNG concerning the nature of the regime it proposes.

Most URNG propaganda focuses on the ongoing war rather than the nature of postwar society. When the URNG was formed in January 1982, however, it published its five-point program for a revolutionary government:

I. The revolution will put an end to the repression of the people and guarantee them life, peace, and the supreme rights of humanity.

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- II. The revolution will lay the foundation for solving the fundamental necessities of the grand majority of the people, to reach the economic and political levels of the great repressive rich people, Guatemalans and foreigners, that govern Guatemala.
- III. The revolution guarantees the equality of indigenous peoples and ladinos, ending cultural oppression and discrimination.
 - IV. The revolution guarantees the creation of a new society in which all the patriotic, popular, and democratic sectors are represented.
 - V. The revolution guarantees the policy of nonalignment and international cooperation that all poor countries need to develop in today's world, pursuant to the guiding principle of self-determination.

Following each of the five points are paragraphs expanding upon them. The subparagraphs guarantee freedom of association, expression, thought, and religion. They state that the revolution will respect the right of the people to elect their local, municipal, and national authorities. They note that although the properties of the "great repressive rich" will be confiscated to help take care of the needs of the workers, small and medium-size entrepreneurs will be welcomed. Equal rights for women are guaranteed.

URNG Government Likely To Emulate Sandinistas

Despite the classically pluralistic and democratic promises of the URNG unity statement, it can be inferred that a URNG government would emulate the Sandinista regime in Nicaragua. This observation stems primarily from consideration of the "anti-imperialist" rhetoric of the EGP, FAR, and PGT-D and their use of traditional Marxist symbolism. The EGP even decided to share a hero with the Sandinistas when it named its sixth front for Augusto Cesar Sandino.

There is of course the possibility that URNG non-Marxist supporters would be able to influence the course of a revolution-ary government. For example, some member groups of the Democratic Front Against Repression (FDCR) and the persons who belong to the Guatemalan Committee of Patriotic Unity (CGUP) are not Marxists. Some of them represent religious groups. Again, the Nicaraguan model seems to argue powerfully against the ability of the

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non-armed groups to moderate the demands of those accustomed to operating with the force of arms.

The role of the Indians in a post-revolutionary society is also a point of interest. Would these descendants of the Maya be able to exercise a moderating influence upon the <u>ladino</u> leaders of the guerrilla organizations? Would their traditional and mystic religiosity act as a brake on those in power?

It is doubtful that the Indians could play such a role. To date they have been unable to mobilize their cultural resources in such a manner. If it is not the <u>ladino</u> military or <u>finca</u> owners who order them to behave in one manner or another, it is the <u>ladino</u> guerrilla leaders. Although the heritage of the Guatemalan <u>Indians</u> is dissimilar from that of the Nicaraguan Miskito, they do share the history of being an indigenous people caught in a civil war between warring groups of the dominant culture. Nothing in the post-revolutionary Nicaraguan experience suggests that such a group would play more than the most marginal role in a revolutionary society.

The member groups of the URNG have long accepted aid from East bloc countries and could be expected to continue to do so after gaining power. URNG leaders, as military people, could be expected to devote a considerable percentage of the national budget to the military. They would fend off calls for increased allocations to social programs with references to the imperialist threat, according to the Nicaraguan model.

The URNG achieved what political power it has from the barrels of guns. It would be naive to believe that the URNG would lay down its arms of its own accord and trust its fortunes to elections, particularly in light of the insurgent experience in the 1966 elections.

The Marxist tenet that religion is the opiate of the people would, however, pose a problem for a URNG government. Much of the URNG's support comes from Indians who believe strongly in their unique form of mystic Catholicism. Other supporters are more orthodox Catholics upset by government murder of their priests. A final group of Catholics are those who believe in the theology of liberation. Most evangelicals are thought to support the government.

It is highly unlikely that the URNG would be the first Marxist government to tolerate a center of power not coterminous with its own. Church-state relations in a revolutionary Guatemala

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probably would be similar to those in other socialist countries. To return again to the Nicaraguan model, the church in that country is the backbone of the opposition. The government has been, with some exceptions, relatively cautious in the steps it has taken against the church. Nonetheless, the church has accomplished little in its skirmishes with the government. A similar fate would be in store for Guatemalan religious organizations in a post-revolutionary society.

The URNG could be expected to organize the rural economy along cooperative lines. The primary reason for this would be Guatemala's status as a Third World country sorely lacking in economic infrastructure. To form a heavily centralized state-run economy where every remote farm was a state enterprise and every campesino was a state employee entitled to numerous benefits would be impossible. A much simpler method of coming through on revolutionary rhetoric would be to confiscate large economic units, agricultural or industrial, and transfer them to the workers.

A URNG government probably would tread more softly near foreign-owned industries. Castro has advised the Sandinistas to move slowly in this area in order not to jeopardize the availability of credit from Western sources. He could be expected to so advise the URNG.

Prepared by Charles D. Herrington 632-2557

Approved by William E. Knepper 632-2229

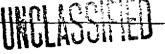
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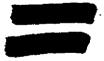
DEPARTMENT PASS FEDERAL RESERVE BOARD AND TREASURY WASHDC

E.O. 12356: DECL: 5/6/91

TAGS: EFIN, ECON, MX

SUBJECT: MEXICAN ECONOMIC TROUBLES

- 1. SUMMARY. SINCE THE LAST QUARTER OF 1984 THERE HAVE BEEN INCREASING SIGNS THAT MEXICO IS FACING SOME SERIOUS ECONOMIC PROBLEMS. AMONG THE MAJOR DIFFICULTIES ARE ON-GOING INFLATIONARY PRESSURES, THE PUBLIC SECTOR DEFICIT, A DETERIORATING BALANCE OF PAYMENTS PERFORMANCE, CONTINUED APPRECIATION OF THE EXCHANGE RATE, DECLINING DEPOSITS IN THE BANKING SYSTEM IN SPITE OF RISING INTEREST RATES, LOW LEVELS OF FOREIGN INVESTMENT, ACCELERATING CAPITAL FLIGHT, AND OVERHEATING OF THE ECONOMY. THIS CABLE PROVIDES A COMPREHENSIVE OVERVIEW OF MACROECONOMIC TRENDS, DRAWN PRIMARILY FROM EMBASSY'S PREVIOUS REPORTING. OUR ASSESSMENT IS THAT THE MEXICAN ECONOMIC AND FINANCIAL SITUATION REMAINS DELICATE AND THAT MEXICAN AUTHORITIES FACE DIFFICULT DECISIONS OVER THE NEXT 12-18 MONTHS. END SUMMARY.
- 2. AFTER MAKING SUBSTANTIAL PROGRESS IN ADJUSTING THE ECONOMY DURING ITS FIRST 21 MONTHS IN OFFICE, THE DE LA MADRID ADMINISTRATION HAS FACED AN INCREASINGLY



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Date Printed: 03/17/1997 DOC_NUMBER: 85MEXICO09638

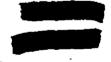
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PRECARIOUS SITUATION DURING THE PAST HALF YEAR. ONE OF THE PRINCIPAL PROBLEM AREAS HAS BEEN INFLATION. AFTER REDUCING THE MONTHLY RATE FROM ALMOST 11 PERCENT IN JANUARY 1983 TO LESS THAN 3 PERCENT IN AUGUST 1984, THE RATE OF INFLATION HAS BEGUN TO ACCELERATE SINCE THAT TIME. DURING THE FIRST THREE MONTHS OF 1985 INFLATION HAS BEEN VIRTUALLY THE SAME AS IT WAS DURING THE SAME PERIOD LAST YEAR AND THE COUNTRY IS SURE TO MISS ITS OFFICIAL 35 PERCENT TARGET FOR THE YEAR BY A WIDE MARGIN.

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- 3. EVEN WITH REDUCTIONS IN THE RATE OF INFLATION IN THE COMING MONTHS, INFLATION FOR THE YEAR IS LIKELY TO BE AT LEAST 50~55 PERCENT (AS COMPARED WITH 59 PERCENT IN 1984) AND IT COULD BE EVEN HIGHER UNLESS THE GOM KEEPS A TIGHT LID ON A WIDE RANGE OF PRICE CONTROLLED PRODUCTS. THIS WOULD MEAN THAT INFLATIONARY PRESSURES WERE SIMPLY SURPRESSED (AND WOULD HAVE TO BE CORRECTED IN SUBSEQUENT PERIODS) AND THAT THERE WOULD BE LARGER PRESSURES ON THE PUBLIC SECTOR BEFICIT SINCE COSTS WOULD BE RISING FASTER THAN PRICES.
- 4. THE FAILURE TO MAKE CONTINUED PROGRESS IN REDUCING INFLATION HAS MEANT THAT THE GOM HAS HAD TO ALTER ITS STRATEGY IN OTHER AREAS, NOTABLY INTEREST RATES AND THE EXCHANGE RATE. UNTIL THE LAST QUARTER OF 1984 THE GOVERNMENT WAS ABLE TO REDUCE PROGRESSIVELY INTEREST RATES BUT STILL ATTRACT INCREASING (IN REAL TERMS) MONETARY FLOWS INTO THE DOMESTIC BANKING SYSTEM BECAUSE THE EFFECTIVE YIELDS ON THESE DEPOSITS WERE POSITIVE. HOWEVER, SINCE THE BEGINNING OF 1985 THE FLOWS OF NEW DEPOSITS INTO THE BANKING SYSTEM HAVE BEEN HIGHLY NEGATIVE IN REAL TERMS AND THE BANK OF MEXICO HAS BEEN FORCED TO RAISE INTEREST RATES ON SHORT-TERM TIME



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DEPOSITS BY AS MUCH AS 8 PERCENTAGE POINTS. EVEN WITH THIS INCREASE, HOWEVER, YIELDS HAVE REMAINED NEGATIVE COMPARED WITH ANNUALIZED INFLATION RATES FOR THE FIRST THREE MONTHS OF THE YEAR.

5. THE RESOURCES PREVIOUSLY FLOWING INTO THE BANKING SYSTEM NOW SEEM TO BE EITHER FLOWING TO THE GOVERNMENT



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TO HELP FINANCE ON-GOING HIGH LEVELS OF EXPENDITURES (TREASURY BILLS NOW PAY SEVERAL PERCENTAGE POINTS MORE THAN DEPOSITS IN THE BANKS) OR LEAVING THE COUNTRY IN THE FORM OF CAPITAL FLIGHT. THE SHORTAGE OF LIQUIDITY IN THE BANKING SYSTEM IS LIKELY TO CONTINUE AND THIS COULD SOON BEGIN TO AFFECT PRIVATE SECTOR ACTIVITY IN THE ECONOMY.

- 6. THE EFFECT OF INFLATION ON THE EXCHANGE RATE IS ALSO EVIDENT. WE ESTIMATE THAT LAST YEAR THE CONTROLLED MARKET PESO, WHICH ACCOUNTS FOR OVER 80 PERCENT OF ALL FOREIGN TRANSACTIONS, APPRECIATED BY ABOUT 15 PERCENT IN REAL TERMS. THE GOVERNMENT ACCELERATED THE DAILY RATE OF SLIDE OF THE PESO AGAINST THE U.S. DOLLAR FROM 13 CENTAVOS PER DAY TO 17 CONTAVOS PER DAY IN DECEMBER. IN MARCH IT WAS AGAIN FORCED TO INCREASE THE DAILY RATE OF SLIDE TO 21 CENTAVOS PER DAY. EVEN SO, THE EXCHANGE RATE HAS CONTINUED TO APPRECIATE IN REAL TERMS. AFTER A PERIOD OF UNDEREVALUATION BEGINNING IN 1982 MANY ANALYSTS BELIEVE THAT THE CONTROLLED RATE HAS NOW BECOME SLIGHTLY OVERVALUED AGAIN.
- 7. DEVELOPMENTS REGARDING THE EXCHANGE RATE COMBINED WITH

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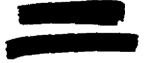
DEPARTMENT PASS FEDERAL RESERVE BOARD AND TREASURY WASHDO

E.O. 12356: DECL: 5/6/91

TAGS: EFIN, ECON, MX

SUBJECT: MEXICAN ECONOMIC TROUBLES

ACCELERATED ECONOMIC GROWTH AND FALLING WORLD PETROLEUM PRICES HAVE ALSO HAD ADVERSE CONSEQUENCES FOR THE BALANCE OF PAYMENTS. THE RATE OF GROWTH OF NON-PETROLEUM EXPORTS BEGAN TO SLIDE MARKEDLY AFTER MID 1984. DURING THE FIRST TWO MONTHS OF 1985 THESE EXPORTS HAVE REGISTERED SUBSTANTIAL DECLINES COMPARED TO THE SAME PERIOD LAST YEAR. AT THE SAME TIME, IMPORTS HAVE BEEN ACCELERATING RAPIDLY (UP 42 PERCENT FOR THE FIRST TWO MONTHS OF THE YEAR) THEREBY CONTRIBUTING TO A SUBSTANTIAL DECLINE IN THE TRADE SURPLUS SO FAR THIS YEAR. WE EXPECT THIS DETERIORATING TRADE PERFORMANCE TO CONTINUE, AT LEAST FOR THE NEXT SEVERAL MONTHS AND MAYBE LONGER IN THE ABSENCE OF POLICIES TO TEMPER THE RATE OF ECONOMIC GROWTH AND MAKE THE EXCHANGE RATE MORE ATTRACTIVE TO EXPORTERS. AN ADDITIONAL PROBLEM IS THE PERCEPTION AMONG EXPORTERS THAT THE GOVERNMENT DOES NOT REALLY INTEND TO PURSUE POLICIES OVER THE MEDIUM TO LONGER TERM TO BOLSTER EXPORTS. FOR EXAMPLE, EARLY IN THEYEAR THE GOVERNMENT ANNOUNCED THE DIMEX PROGRAM WHICH WOULD HAVE ALLOWED



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MEXICAN EXPORTERS EASIER ACCESS TO IMPORTS. AFTER MUCH OPPOSITION FROM SEVERAL OF THE MINISTRIES (ESPECIALLY PARTS OF COMMERCE) AND SEVERAL KEY INDUSTRIAL CHAMBERS

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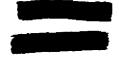
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OF COMMERCE THE IDEA APPARENTLY HAS BEEN DROPPED FOR THE MOMENT.



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- 8. SO FAR THE INTERNATIONAL PETROLEUM SITUATION HAS NOT HAD SERIOUS ADVERSE CONSEQUENCES FOR MEXICO. THE ONLY DOWNWARD PRICE ADJUSTMENT HAS BEEN \$1.25 PER BARREL FOR LIGHT CRUDE EXPORTS WHICH ON AN ANNUAL BASIS WILL ONLY COST THE COUNTRY \$200-300 MILLION. HOWEVER, THE INTERNATIONAL MARKET REMAINS SOFT AND IT IS POSSIBLE THAT THERE MAY BE ADDITIONAL DOWNWARD PRICE ADJUSTMENTS BEFORE THE END OF THE YEAR WHICH WOULD PRODUCE ADDITIONAL BALANCE OF PAYMENTS PRESSURES FOR THE COUNTRY. A FALL IN AVERAGE PETROLEUM PRICES OF U.S. \$4.00 OR MORE PER BARREL COULD BE PARTICULARLY DIFFICULT FOR THE AUTHORITIES.
- 9. WHILE OFFICIAL STATISTICS ARE NOT YET AVAILABLE, IT IS OUR IMPRESSION THAT THE ECONOMY HAS BEEN GROWING AT A VERY RAPID RATE OVER THE PAST 6-8 MONTHS. PUBLIC SECTOR EXPENDITURES AND THE PUBLIC SECTOR DEFICIT BOTH INCREASED SHARPLY DURING THE LAST QUARTER OF 1984 AND IT APPEARS THAT THE PATTERN OF HIGH EXPENDITURES WILL CONTINUE AT LEAST DURING THE FIRST HALF OF THIS YEAR, PARTLY IN ANTICIPATION OF THE JULY ELECTIONS. PRIVATE SECTOR ACTIVITY HAS ALSO PICKED UP FROM THE EXTREMELY DEPRESSED LEVELS OF 1983 AND THE FIRST HALF OF 1984. THE NET EFFECT IS THAT THE ECONOMY IS PROBABLY GROWING AT A MUCH HIGHER RATE THAN DESIRABLE AT THIS STAGE IN THE ECONOMIC ADJUSTMENT PROCESS.
- 10. THE PUBLIC SECTOR DEFICIT IS AN AREA WHERE POLICY-



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MAKERS MADE GOOD PROGRESS THROUGH SEPTEMBER 1984 BUT THEY NOW APPEAR TO BE ENCOUNTERING IMPEDIMENTS IN MAKING FURTHER REDUCTIONS IN THE RATIO OF THE DEFICIT TO GDP. BETWEEN 1982 AND 1983 THE FINANCIAL DEFICIT WAS REDUCED FROM MORE THAN 17 PERCENT OF GDP TO 8.7 PERCENT OF GDP. LAST YEAR PROGRESS WAS MUCH SLOWER AND THE GOM MISSED ITS 5.5 PERCENT TARGET BY A COMSIDERABLE MARGIN. OFFICIALLY THE DEFICIT WAS 7.4 PERCENT OF GDP ALTHOUGH WE SUSPECT THAT WITHOUT SOME CREATIVE ACCOUNTING PROCEDURES THE REAL FIGURE WOULD HAVE BEEN OVER 8 PERCENT OF GDP. MUCH OF

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THIS SHORTFALL WAS GENERATED IN THE LAST QUARTER OF THE YEAR. UNDER MEXICO'S IMF PROGRAM THE FINANCIAL DEFICIT IS SLATED TO BE SLIGHTLY LESS THAN

5 PERCENT OF GDP FOR 1985 BUT THERE IS LITTLE CHANCE THAT THIS FIGURE CAN BE ACHIEVED. THE GOVERNMENT STRATEGY SEEMS TO BE TO KEEP SPENDING HIGH UNTIL THE JULY ELECTIONS AND THEN INSTITUTE A MORE AUSTERE APPROACH IN THE SECOND HALF OF THE YEAR. HOWEVER, BY SO DOING THE AUTHORITIES COULD BE RISKING A SERIOUS RECESSION, A PRICE WHICH THEY PROBABLY WOULD NOT BE WILLING TO PAY. MOREOVER, SUCH A STRATEGY PRESUMES A CONTINUING HIGH RATE OF ACTIVITY IN THE PRIVATE SECTOR, AN ASSUMPTION WHICH IS FAR FROM BEING ASSURED.

11. ADDING TO CURRENT DIFFICULTIES HAS BEEN AN ACCELERATING OUTFLOW OF CAPITAL FROM THE COUNTRY. OVER THE PAST FOUR MONTHS WE ESTIMATE THAT MEXICO HAS LOST AT LEAST \$2-3 BILLION IN FOREIGN EXCHANGE RESERVE S.

THIS IS A RATE OF LOSS WHICH THE COUNTRY CANNOT SUSTAIN FOR VERY LONG WITHOUT FACING ANOTHER CRISIS. OFFICIAL

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DEPARTMENT PASS FEDERAL RESERVE BOARD AND TREASURY WASHDO

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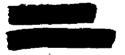
E.O. 12356: DECL: 5/6/91

TAGS: EFIN, ECON, MX

SUBJECT: MEXICAN ECONOMIC TROUBLES

RESERVES AT THE END OF 1984 WERE SLIGHTLY MORE THAN \$8 BILLION AND THE AUTHORITIES MAY HAVE SOME ADDITIONAL HIDDEN RESERVES. EVEN SO, SHOULD PRESENT TRENDS CONTINUE, BY THE END OF THE YEAR THE RESERVE SITUATION WOULD AGAIN BE VERY TOUCHY. MOREOVER, THESE DEVELOPMENTS COMBINED WITH A SHRINKING TRADE SURPLUS COULD FORCE THE AUTHORITIES TO REVISE THEIR ESTIMATED NET EXTERNAL BORROWING REQUIREMENTS (\$1 BILLION) UPWARD, A MOVE WHICH WOULD MAKE MEXICO'S EXTERNAL CREDITORS AND THE IMF OUITE UNHAPPY.

12. TRENDS IN FOREIGN INVESTMENT ALSO HAVE NOT BEEN ENCOURAGING AND DESPITE GOM LIP SERVICE TO THE CONTRARY IT DOES NOT APPEAR THAT MEXICO IS MAKING A CONCERTED EFFORT TO ATTRACT NEW EQUITY FUNDS FROM ABROAD. ACCORDING TO BANK OF MEXICO FIGURES FOREIGN INVESTMENT HAS DECLINED FROM NEARLY \$1.2 BILLION IN 1981 TO LESS THAN \$200 MILLION DURING THE FIRST NINE MONTHS OF 1984. IN SPITE OF CONSIDERABLE INTEREST IN THE MEXICAN MARKET,



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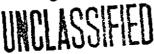
MANY FOREIGN BUSINESSMEN CONTINUE TO REPORT CONSIDERABLE FRUSTRATIONS IN TRYING TO GET INVESTMENT PROJECTS APPROVED.

13. AN ADDITIONAL CONCERN SEEMS TO BE INCREASING

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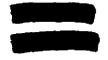
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DISSENTION IN THE PRESIDENT'S ECONOMIC CABINET AS TO THE FUTURE COURSE OF ECONOMIC POLICY. OVER THE FIRST TWO YEARS OF THE ADMINISTRATION THE FORCES FAVORING CONTINUED ECONOMIC ADJUSTMENT (E.G., FINANCE MINISTER JESUS SILVA-HERZOG AND BANK OF MEXICO DIRECTOR GENERAL MIGUEL MANCERA) GENERALLY CARRIED THE DAY. HOWEVER, IT IS OUR IMPRESSION THAT THEIR INFLUENCE MAY BE DECLINING WHILE THAT OF SECRETARY OF PROGRAMMING AND BUDGET CARLOS SALINAS AND FOREIGN MINISTER BERNARDO SEPULVEDA, WHO GENERALLY FAVOR EVEN MORE GOVERNMENT SPENDING, SEEM TO BE INCREASING. THE PRESIDENT HIMSELF IS CAUGHT IN A DIFFICULT BIND BECAUSE, WHILE REALIZING THE NEED FOR ON-GOING ECONOMIC ADJUSTMENT, HE FEARS THE POSSIBLE NEGATIVE POLITICAL RAMIFICATIONS SHOULD THE ECONOMY BEGIN TO MOVE INTO A RECESSION AGAIN. FURTHERMORE, AS WITH THE PREVIOUS TWO ADMINISTRATIONS IN MEXICO, HE MAY FACE GREATER PRESSURES DURING THE SECOND HALF OF HIS TENURE IN OFFICE TO PURSUE EXPANSIONARY POLICIES.

14. ALL IN ALL, MEXICO IS FAR FROM OUT OF THE WOODS IN RESOLVING ITS ECONOMIC PROBLEMS AND THE NEXT 12-18 MONTHS COULD BE THE MOST DIFFICULT SO FAR FOR THE AUTHORITIES. THE DECISIONS THEY MAKE DURING THIS PERIOD WILL HAVE IMPORTANT IMPLICATIONS FOR MEXICO'S LONG-TERM ECONOMIC ADJUSTMENT PROCESS (AS WELL AS THAT OF OTHER HIGH DEBT LDC'S). IN RECENT MONTHS DECISIONMAKERS HAVE NOT BEEN PRESSING FOR THE NECESSARY STRUCTURAL CHANGES (E.G., CONTINUED REDUCTION IN THE PUBLIC SECTOR DEFICIT,



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INCREASING THE RATIO OF EXPORTS TO GDP, OPENING THE ECONOMY, MAKING DOMESTIC INDUSTRY MORE COMPETITIVE, ETC.) AND WE HAVE RESERVATIONS ABOUT THEIR ABILITY TO DO SO OVER THE REST OF THE YEAR.

15. THIS IS LIKELY TO BE A PIVOTAL PERIOD FOR MEXICO. WHILE THE AUTHORITIES HAVE TAKEN SOME POSITIVE STEPS DURING THE 1984 AND EARLY 1985 PERIOD (E.G., SALES OF PRIVATE COMPANY SHARES BY THE NATIONALIZED BANKS, NEW FINANCIAL LEGISLATION, DEBT RESCHEDULING, SALES OF SOME PARASTATAL COMPANIES) WE ARE WORRIED ABOUT THE OVERALL DIRECTION OF THE ECONOMY. THUS ECONOMIC DEVELOPMENTS

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IN THE COUNTRY WILL CONTINUE TO MERIT CLOSE ATTENTION FROM CREDITOR COUNTRIES, THE BANKS AND THE IMF. DRAFTED BY J.V.SWEENEY. BUSBY

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TO SECSTATE WASHOC 1839

TREASURY WASHOC

INFO AMENBASSY LINA

AMEMBASSY CARACAS

AMEMBASSY BRASILIA

USCONS MEXICO POUCH

UNCLAS SECTION OF CE 16 MEXICO 15249

DEPARTMENT PASS FEDERAL RESERVE BOARD. EXPORT IMPORT BANK, USTR, AND COMMERCE

E.O. 12356 N/A

TAGS: EFIN, ECON, EINV, MX

ECONOMIC TRENOS REPORT. JULY 1985 SUBJECT: MEXICO:

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IN 1984

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CONTINUED AT HIGH LEVELS

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PETROLEUM PRODUCTION AND EXPORTS REMAINED AT THE SAME

LEVELS IN 1984 AS IN 1983

AGRICULTURAL PRODUCTION CONTINUED TO IMPROVE

EXTERNAL SURPLUSES REMAINED LARGE

1984 INFLATION WAS 20 POINTS LESS THAN IN 1983 BUT 20 POINTS OVER TARGET

THE MONEY SUPPLY GROWTH WAS HIGHER THAN INFLATION

THE BUDGET DEFICIT WAS LARGER THAN PROGRAMMED

IV. DEVELOPMENTS IN 1985 AND IMPLICATIONS FOR THE UNITED STATES

IN THE FIRST HALF OF 1985 POSITIVE ECONOMIC GROWTH CONTINUES, FOREIGN EXCHANGE INFLOWS CONTRACT AND INFLATION IS HIGHER THAN TARGET

SURPLUSES CONTINUE IN TRADE BALANCE AND CURRENT ACCOUNT BUT AT LOWER LEVELS THAN 1983 AND 1984

THE SUBSIDIES AGREEMENT WITH THE UNITED STATES HIGHLIGHTS A NUMBER OF MAUDE POLICY MOVES IN THE FIRST HALF OF 1985

THE FOREIGN INVESTMENT CLIMATE REMAINS UNCERTAIN

THE U.S. DEPARTMENT OF COMMERCE EXPANDS SERVICES TO U.S. FIRMS DOING BUSINESS IN MEXICO

EXCHANGE RATE AS OF JUNE 30, 1985 UNCLASSIFIED UNCLASSIFIED

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MARKET: U.S. \$ 246.17 MEXICAN PESOS CONTROLLED: U.S. \$ 228.11 MEXICAN PESOS NEW YORK SPOT: U.S.\$ 309 MEXICAN PESOS

KEY ECONOMIC INDICATORS: MEXICO

1983 1984 CHANGE

NATIONAL ACCOUNTS (BILLIONS OF PESOS)

GDP AT CURRENT PRICES	17, 141, 7 856, 2	29,438.9 885.9	71.7
- (1970) PRICES PER CAPITA GOP, - CURRENT PESOS 2/		383,359.4	
FIXED CAPITAL FORMATION - (1970 PRICES)	137,2	144.7	5.4
INDUSTRIAL PRODUCTION (1970	100)		, .
GENERAL INDUSTRIAL INDEX MINING (12.0) 3/ MANUFACTURING (23.9) 3/	199,7 299,9	209.2 304.5	4.8 1.5
CONSTRUCTION (4.9) 3/	175 4 291 9	182.1 309.2	3.8 5.9
PETROLEUM 47 MONEY, PRICES, POPULATION	401.9	111311	
MONEY SUPPLY (M-1; BILLIONS - OF PESOS AT END OF PERIOD			
CONSUMER PRICE INDEX. END	F 766.1	1,219,4	59.12

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U.S. SHARE (PE BALANCE ON CURRENT BALANCE ON CAPITAL ERRORS AND OMISSION INTERNATIONAL RESER	ACCOUNT 5,3 ACCOUNT -1,1 5 -9	23.8 3,96 05.8 -1,5 17.1 -15	55.2 - 57.4 -25.5 76.0 -42.5 76.0 -42.5 76.0 -42.5 76.0 -42.5 76.0 -42.5 76.0 -42.5 76.0 -42.5
AVERAGE ANNUAL EXCH	ANGE RATE (ME	x.\$/u.S.\$1)	
"CONTROLLED" "MARKET"			57.77 - 35.19 -
		MAR. 1985	PERCENT CHANGE 1/
NATIONAL ACCOUNTS C	BILLIONS OF PE	50S)	
GOP AT CURRENT PRICE GOP AT CONSTANT (19 PER CAPITA GOP, CURRE FIXED CAPITAL FORMAT	(0) PRICES NT PESOS 2/	N/A N/A N/A N/A	N/A N/A N/A N/A
INDUSTRIAL PRODUCTION	N (1970100)		
GENERAL INDUSTRIAL MINING (12.0) 3/ MANUFACTURING (23.9) CONSTRUCTION (4.9) 3/ PETROLEUM 4/	3/2	224.8 310.0 221.2 182.9 304.9 395.9	5.8 0.5 6.8 5.6 6.2 -3.2
HONEY, PRICES, POPUL UNCLASSIFIED UNCLASSIFIED	ATION		
PAGE 03 MEXIC	0 15249 02 (F 16 232028Z	
HONEY SUPPLY (M. I. I. B	ILLIONS OF	2, 221.1	59.5
- PESOS AT END OF PE CONSUMER PRICE INDEX - PERIOD (AVERAGE 19	END OF	1,417.1	58.4
PRODUCER PRICE INDEX - PERIOD (AVERAGE 19	END OF	882.2	53.7
POPULATION (THOUSAND		78,524.2	2.3
BALANCE OF PAYMENTS	(U.S. \$ MILLIO	NS)	

CURRENT ACCOUNT RECEIPTS	8,134.9	-5.1
- EXPORTS 5/	5,690.9	
U.S. SHARE (PERCENT)	70.8	_
	3,915.6	-8.5
CURRENT ACCT EXPENDITURES	7,516.0	-8.5 17.5
INPORTS	3,276.9	38.9
U.S. SHARE (PERCENT)		33.7
BALANCE ON CURRENT ACCOUNT	70. <u>8</u> 618.9	-71.3
BALANCE ON CAPITAL ACCOUNT	-605 6	
ERRORS AND ONISSIONS	-u82 /n	41.4
INTERNATIONAL RESERVES 6/	-482.0 7,706.0	28.8
INTERNATIONAL MEDICATED OF	7.700.0	JJ.7
	e a di Cara	
AVERAGE ANNUAL EXCHANGE RATE (HE	X.3/U.5.317	-
	200	
"CONTROLLED" "MARKET"	203.70 337.17	_
"MARKET"	223.11	-
	NUED MADOU 1 OOK	
1/ PERCENT CHANGE IS MARCH 1985		1
2/ IN PESOS, NOT BILLIONS OF PESO		
3/ FIGURES IN PARENTHESES REFER	IN SECTIONS SHAKES) UF
GDP IN 1984		
4/ A SUBSECTOR OF THE MINING SEC	TOR; INCLUDES THE	

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INFO AMENBASSY LIMA
AMENBASSY CARACAS
ANEMBASSY BRASILIA
USCONS MEXICO POUCH

UNCLAS SECTION 03 OF 16 MEXICO 15249

DEPARTMENT PASS FEDERAL RESERVE BOARD, EXPORT IMPORT BANK, USTR, AND COMMERCE

E.O. 12356 N/A TAGS: EFIN, ECON, EINY, MX

SUBJECT: MEXICO: ECONOMIC TRENDS REPORT, JULY 1985

EXTRACTION OF CRUDE PETROLEUM AND NATURAL GAS AND BASIC PETROCHEMICALS.

5/ FIGURES DO NOT INCLUDE IN-BOND ASSEMBLY INDUSTRY

TRADE. 6/ RESERVES COMPUTED WITH IMF CRITERIA PLUS SILVER.

SOURCE: BANK OF MEXICO REPORTS; EMBASSY ESTIMATES; NATIONAL POPULATION COUNCIL OF MEXICO; SISTEMA DE CUENTAS NACIONALES DE MEXICO, 1984.

II. SUMMARY
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1. IN 1984 THE MEXICAN ECONOMY SURPASSED ITS GROWTH

TARGETS WITH REAL GOP GROWTH OF 3.5 PERCENT FOLLOWING REAL DECLINES OF 5.3 PERCENT IN 1983 AND 0.5 PERCENT IN 1982. THE GROWTH CAME PRIMARILY FROM NON-PETROLEUM EXPORTS. STEEL. CHEMICALS, IN-BOND INDUSTRIES. AND AUTO-HOBILES. AT THE SAME TIME INFLATION AT 59 PERCENT WAS ALMOST 20 PERCENTAGE POINTS OVER TARGET. THE PUBLIC SECTOR FINANCIAL BUDGET DEFICIT, ACCORDING TO GOVERNMENT ESTIMATES, WAS EQUIVALENT TO 7.4 PERCENT OF GOP, EXCEEDING THE TARGET OF 6.5 PERCENT. THE MONEY SUPPLY WAS GROWING FASTER THAN INFLATION AT YEAR END.

- 2. PETROLEUM PRODUCTION IN 1984 WAS SLIGHTLY ABOVE THAT IN 1983 EVEN WITH A TEMPORARY PRODUCTION CUTBACK IN NOVEMBER. PETROLEUM EXPORTS AT \$16.6 BILLION IN 1984 ACCOUNTED FOR 69 PERCENT OF ALL PE MEXICO'S MERCHANDISE EXPORTS. THE TRADE SURPLUS FOR 1984 WAS ALMOST \$13 BILLION AND THE CURRENT ACCOUNT SURPLUS WAS ABOUT \$4 BILLION. NON PETROLEUM EXPORTS WERE UP BY ABOUT 26 PERCENT IMPORTS WERE UP 18 PERCENT IN DOLLAR TERMS BUT REMAINED WELL BELOW 1982 AND 1981 LEVELS.
- J. IN THE FIRST HALF OF 1985; FOREIGN EXCHANGE RESERVES CONTRACTED AS EXPORTS DEGREASED AND IMPORTS INCREASED. THE GOVERNMENT'S MID YEAR ESTIMATE FOR ANNUAL GOD GROWTH IS 2:5-3.5 PERCENT, A FIGURE WHICH SATUSFIES THE GOAL OF CONTINUED GROWTH IN THE ECONOMY, BUT WOULD IMPLY SOME REDUCTION IN THE RATE OF ECONOMIC EXPANSION DURING THE SECOND HALF OF THE YEAR. INFLATION DURING THE FIRST HALF OF THE YEAR REACHED ALMOST 26 PERCENT, A CLEAR INDICATION THAT THE JS PERCENT ANNUAL INFLATION TARGET WILL BE EXCEEDED, BUT REAL WAGES MAY SHOW A SLIGHT INCREASE. UNCLASSIFIED

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TRADE AND CURRENT ACCOUNT SURPLUSES HAVE DECLINED COM-PARED TO THE PREVIOUS TWO YEARS.

HAVE HAD CONSIDERABLE INFLUENCE ON MEXICO'S ECONOMY IN 1985. SPETROLEUM PRICES HAVE ALREADY BEEN ADDUSTED DOWN-1985. SPETROLEUM PRICES HAVE ALREADY BEEN ADDUSTED DOWN-WARD THREE TIMES GAUSING A DECLINETIN EXPORT REVENUES: LOWER WORLD INTEREST RATES HAVE BROUGHT ABOUT SAVINGS IN DEBT-SERVICING COSTS ON FOREIGN LOANS BUT HIGHER DOMESTIC INTEREST RATES HAVE OFFSET SOME OF THE CONSEQUENT BUDGET SAVINGS.

S. MEXICO SIGNED A SUBSIDIES AGREEMENT WITH THE UNITED STATES IN MARCH WHICH GAVE MEXICO THE INJURY TEST IN COUNTERVALLING DUTY CASES BUT CALLS FOR A PROGRESSIVE ELIMINATION OF SUBSIDIES ON EXPORT FINANCING. IN ADDITION, MEXICO HAS INTRODUCED ITS DIMEX PROGRAM TO ALLOW MEXICAN EXPORTERS TO IMPORT WITH LESS REGULATION. THE MEXICAN GOVERNMENT HAS COMPLETED A PROCESS TO SELL THE COMMERCIAL BANKS' SHARE HOLDINGS IN PRIVATE COMPANIES AND IS SELLING OR DISSOLVING A LARGE NUMBER OF PARASTATALS.

III: RECENT ECONOMIC DEVELOPMENTS: THE MEXICAN ECONOMY

IN 1984:

THE ECONOMY GREW BUT INFLATION AND THE BUDGET DEFICIT

6. AFTER REMAINING FLAT DURING THE FIRST PART OF 1984

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R 2319442 JUL 85 FM AMENBASSY NEXICO TO SECSTATE WASHOC 1842 TREASURY WASHDC INFO AMENBASSY LIMA AMEMBASSY CARACAS AMEMBASSY BRASILIA USCONS MEXICO POUCH

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DEPARTMENT PASS FEDERAL RESERVE BOARD, EXPORT IMPORT BANK, USTR, AND COMMERCE

E.O. 12356 N/A

TAGS: EFIN, ECON, EINY, MX SUBJECT: NEXICO: ECONOMIC TRENDS REPORT, JULY 1985

THE MEXICAN ECONOMY ENTERED INTO A RECOVERY PHASE IN THE SECOND HALF OF THE YEAR. REAL GOD GROWTH FOR 1984 WAS 3.5 PERCENT HOMEVER, CINELATION (CP.1) REACHED NEARLY 60 PERCENT AND WAS ACCELERATING DURING THE LAST FOUR MONTHS OF THE YEAR BOTH OF THESE FIGURES WERE HIGHER THAN ORIGINAL YEAR END LOBS NEXT CAN GOVERNMENT PROJECTIONS OF 1 PERCENT GROWTH AND 40 PERCENT INFLATION. NONETHELESS. THEY REPRESENT CONSIDERABLE IMPROVEMENTS OVER THE PREVIOUS TWO YEARS; MEXICO'S GROWTH RATES WERE NEGATIVE IN BOTH 1982 (-0.5 PERCENT) AND 1983 (-5.3 PERCENT) AND INFLATION IN THOSE YEARS WAS 99 PERCENT AND BI PERCENT. RESPECTIVELY. UNCLASSIFIED UNCLASS IF IED

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WHEN PRESIDENT DE LA MADRID TOOK OFFICE IN DECEMBER. UNCLASSIFIED

1982, THE MEXICAN ECONONY WAS PLAGUED BY RISING INFLATION, CAPITAL ELIGHT, AND FAULING OUTPUT AND EMPLOYMENT. FOREIGN EXCHANGE RESERVES WERE NOT SUFFICIENT TO MEET EVEN THE COUNTRY'S SHORT TERM EXTERNAL LIABILITIES. THE NEW PRESIDENT'S INAUGURATION FOLLOWED BY ONLY FOUR MONTHS THE EVENTS OF AUGUST 1982 WHEN THE MEXICAN ECONOMIC GRISIS CAME TO A HEAD. AT THAT TIME THE COUNTRY WAS FORCED TO SEEK EMERGENCY ASSISTANCE TO AVOID RUNNING OUT OF FOREIGN EXCHANGE AND TO BEGIN PLANNING IN EARNEST AN ECONOMIC ADJUSTMENT PROGRAM TO BRING ABOUT MAJOR STRUCTURAL CHANGES IN THE ECONOMY. SINCE THE LATE 1970'S, THE MEXICAN GOVERNMENT HAD FOLLOWED A POLICY OF FINANCING DEVELOPMENT THROUGH SHARPLY THOREASED PUBLIC SECTOR EXPENDITURES AND EXTERNAL BORROWING. THESE POLICIES LED TO BURGEONING PUBLIC SECTOR DEFICITS. ACCELERATING INFLATION AND AN INCREASE IN THE MEXICAN PUBLIC SECTOR'S EXTERNAL DEBT FROM \$4 BILLION (12 PERCENT OF GOP) IN 1970 TO \$59 BILLION (36 PERCENT OF GOP) IN 1982.

B. PRESIDENT DE LA MADRID BEGAN HIS SIX YEAR TERM OF OFFICE WITH A STRATEGY FOR A REORDERING OF THE ECONOMY. THIS SIX YEAR STRATEGY ENVISIONED HAVOR STRUCTURAL CHANGES IN THE ECONOMY DURING THE FIRST TWO YEARS OF HIS AOMINISTRATION TO BE FOLLOWED BY GROWTH AT 3.5 6 PERCENT PER YEAR IN THE REMAINING FOUR YEARS. THE KEY TO IMPLE-MENTING THIS PLAN WAS ANTHREE YEAR EXTENDED FUND FACILITY PROGRAM WITH THE INTERNATIONAL MONETARY FUND. THE MAJOR OBJECTIVES OF THIS PROGRAM WERE MASSIVE ANNUAL REDUCTIONS IN THE REAL SIZE OF THE PUBLIC SECTOR DEFICIT, SHARP ANNUAL DECLINES IN THE RATE OF INFLATION, SUBSTANTIAL UNCLASSIFIED

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CUTBACKS ON EXTERNAL BORROWING AND A PROGRESSIVE BUILD-UP OF FOREIGN EXCHANGE RESERVES. THE RESULTS OF HIS FIRST TWO YEARS IN OFFICE INCLUDED DECLINING INFLATION, A GRADUAL RECOVERY OF ECONOMIC ACTIVITY, STRENGTHENING OF PUBLIC FINANCES, IMPROVEMENT IN THE COUNTRY'S EXTERNAL ACCOUNTS, A RESTRUCTURING OF THE COUNTRY'S EXTERNAL DEBT, AND UNTIL RECENTLY STEADY INCREASES IN THE COUNTRY'S FOREIGN EXCHANGE RESERVES.

9. MEXICO'S GOP GROWTH OF 3.5 PERCENT IN REAL TERMS IN 1984 FOLLOWED NEGATIVE GROWTH OF 5.3 PERCENT IN 1983.

HUCH OF THIS GROWTH CAME IN THE SECOND HALF OF 1984. FOR INSTANCE, INDUSTRIAL PRODUCTION GREW 5.7 AND 9.1 PERCENT IN THE THIRD AND FOURTH QUARTERS COMPARED TO 2.6 AND 1.9 PERCENT INCREASES IN THE FIRST AND SECOND QUARTERS. THE MAJOR SECTORS OF THE ECONOMY ALL SHOWED ROSTTIVE GROWTH IN 1984 OVER 1983 WITH ELECTRICITY HIGHEST AT 7.0 PERCENT. THE MANUFACTURING SECTOR'S GROWTH WAS 5.4 PERCENT. THE AGRICULTURAL SECTOR GREW 2.4 PERCENT AND THE MINING SECTOR WHICH INCLUDES PETROLEUM INGREASED AT ONLY A 1.6 PERCENT RATE. OF THESE SECTORS, ONLY AGRICULTURE AND ELECTRICITY HAD POSITIVE GROWTH IN 1983.

- 10. ACCORDING TO THE GOVERNMENT OF MEXICO, REASONS FOR THIS RECOVERY INCLUDE THE FOLLOWING:
- A) THE TAX DEDUCTION FOR MACHINERY, EQUIPMENT AND BUILDINGS OF 75 RERCENT OF THE VALUE OF THE ASSET IN THE FIRST YEAR STIMULATED INVESTMENT:
- B) THE RECOVERY IN EXPORTS STIMULATED INDUSTRIAL PRODUCTION: AND

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R 231944Z JUL 85
FM AMEMBASSY MEXICO
TO SECSTATE WASHOC 1843
TREASURY WASHOC
INFO AMEMBASSY LIMA
AMEMBASSY CARACAS
AMEMBASSY BRASILIA
USCONS MEXICO POUCH

UNCLAS SECTION 05 OF 16 MEXICO 15249

DEPARTMENT PASS FEDERAL RESERVE BOARD, EXPORT IMPORT BANK, USTR. AND COMMERCE

E.O. 12356 N/A TAGS: EFIN, ECON, EINV, MX

SUBJECT: MEXICO: ECONOMIC TRENDS REPORT, JULY 1985

C) HIGHER NON-PETROLEUM EXPORTS PARTIALLY ALLEVIATED THE SHORTAGE OF FOREIGN EXCHANGE WHICH ALLOWED HIGHER IMPORTS.

IT APPEARS THAT INCREASED CONSUMER DEMAND ALSO CONTRIBUTED IMPORTANTLY TO THE UPSWING.

11. MUCH HIGHER THAN AVERAGE GROWTH IN 1984 WAS RECORDED IN AUTOMOBILES (14.9 PERCENT), STEEL PRODUCTS (13.3 PERCENT), OFFICE MACHINES (64.1 PERCENT), CEMENT (8.0 PERCENT) AND SYNTHETIC FIBERS (7.9 PERCENT). THE FOLLOWING TABLE SHOWS THE PERFORMANCE OF SEVERAL MANUFACTURING SECTORS:
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MANUFACTURING PRODUCTION

(EXCLUDING PETROLEUM AND PETROCHEMICAL REFINING) (PERCENT CHANGE)

DIVISION	1983/1982	1984/1983
FOOD, BEVERAGES, AND TOBACCO TEXTILES, CLOTHING AND LEATHER GOOWOOD AND WOOD PRODUCTS PAPER AND PRINTING CHEMICALS, PETROLEUM DERIVATIVESRUBBER AND PLASTIC PRODUCTS	-1.2 -4.8 -14.4 -7.4	1.6 2.1 3.6 7.0
NON-METALLIC MINERALS - EXCEPT PETROLEUM METALS INDUSTRIES MACHINERY AND EQUIPMENT	-10.4 -5.3 -22.6	15.2 13.3 7.4
TOTAL MANUFACTURING	-7.3	5.4

MANUFACTURES BY TYPE OF GOOD (PERCENT CHANGE 1984/1983)

TOTAL MANUFACTURES	5.4
- CONSUMER GOODS	2.6
- DURABLES	3.2
- NON-DURABLES	2,5
- INTERMEDIATE GOODS	7.2
- CAPITAL GOODS	8.9

12. GROSS FIXED INVESTMENT INCREASED 5.4 PERCENT IN 1984
AFTER DROPS OF 15.9 PERCENT AND 27.9 PERCENT IN 1982 AND
1983 RESPECTIVELY: PUBLIC SECTOR INVESTMENT GREW 0.6
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PERCENT WHILE PRIVATE SECTOR INVESTMENT WAS UP 8.8 PER-CENT. THE 75 PERCENT TAX DEDUCTION FOR CERTAIN TYPES OF INVESTMENTS MENTIONED ABOVE PROVIDED THE MAJOR INCENTIVE FOR THE GROWTH IN INVESTMENT. INVESTMENT IN MACHINERY AND EQUIPMENT INCREASED AT A FASTER RATE THAN DID INVEST-MENT IN BUILDINGS.

PETROLEUM PRODUCTION AND EXPORTS REMAINED AT THE SAME LEVELS IN 1984 AS IN 1983:

13. DURING 1983 MEXICO'S OIL INDUSTRY WAS AFFECTED BY THE WORLDWIDE DECREASE IN DEMAND FOR PETROLEUM PRODUCTS AND THE SHRINKAGE OF THE DOMESTIC ECONOMY. PRODUCTION OF CRUDE AND RELATED PRODUCTS DECLINED BY 2.9 PERCENT FROM 1982 TO 1983. FOR THE PERIOD OF JANUARY THROUGH SEPTEMBER 1984 PRODUCTION WAS UP ABOUT 5 PERCENT BUT A TEMPORARY OUTPUT REDUCTION OF 100,000 BARRELS PER DAY BEGAN ON NOVEMBER 1, 1984 AND OTHER CUTBACKS BROUGHT PRODUCTION BACK TO ONLY 0.7 PERCENT ABOVE THE 1983 LEVEL FOR THE YEAR AS A WHOLE: MEXICO WAS ABLE, HOWEVER, TO MAINTAIN ITS POSITION AS THE FOURTH LARGEST OIL PRODUCER IN THE WORLD FOLLOWING THE USSE, SAUDI ARABIA, AND THE UNITED STATES.

14. ONE AREA OF IMPROVEMENT WAS MEXICO'S PRODUCTION OF REFINED PETROLEUM PRODUCTS. IN 1983 EXPORTS OF REFINERY PRODUCTS REACHED ABOUT 28 MILLION BARRELS WITH A VALUE OF \$850 MILLION WHILE IN 1984 EXPORTS WERE ABOUT 39 MILLION BARRELS WITH AN ESTIMATED VALUE OF \$1.15 BILLION. MEXICO'S TOTAL PETROLEUM AND PRODUCT EXPORTS FOR 1984 WERE \$16.6 BILLION AND ACCOUNTED FOR 69 PERCENT OF ALL OF

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UNCLAS SECTION 06 OF 16 MEXICO 15249

DEPARTMENT PASS FEDERAL RESERVE BOARD. EXPORT IMPORT BANK, USTR, AND COMMERCE

E.O. 12356 : N/A

TAGS: EFIN. ECON. EINV. MX

SUBJECT: MEXICO: ECONOMIC TRENDS REPORT. JULY 1985

MEXICO'S MERCHANDISE EXPORTS. IN 1984, CRUDE OIL EXPORTS WENT TO 23 COUNTRIES: THE UNITED STATES PURCHASED ABOUT 49 PERCENT FOLLOWED BY JAPAN (11 PERCENT) SPAIN (7 PERCENT), THE UNITED KINGDOM (7 PERCENT), AND FRANCE (6 PERCENT). EXPORTS WERE COMPOSED OF HIPPERCENT LIGHT GRADE ISTHMUS AND 59 PERCENT HEAVY GRADE MAYA CRUDE. MEXICO'S PROVEN OLE RESERVES INCREASED SUIGHTLY IN 1983 FROM 72 TO 72.5 BILLION BARRELS BUT WERE LOWERED IN 1984 TO 71.75 BILLION BARRELS.

PETROLEUM PRODUCTION

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> PERCENT 0F

TOTAL

	CRUDE PRODUCTION (THOUSANDS OF	CRUDE EXPORTS BARRELS/DAY)	HYDROCARBON EXPORTS (U.S.\$ MILLIONS)	TOTAL EXPORTS
1977	981	202	1,018.7	21.9
1978	1.209	365	1,837.2	30.3
1979	1.461	533	3, 986.5	4417
1980	1,936	828	10,401.3	68.0
				3 14
1981	2,312	1.098	14,574.0	75.0
1982	2, 746	1,492	16,594.5	79.0
1983	2,665	1,537	16, 164.9	74.9
1984	2,685	1,525	16, 601.3	69.0

THE DOMESTIC PRICES OF MEXICO'S GASOLINE PRODUCTS HAVE RISEN SHARPLY SINCE DECEMBER 1982 AS AN INTEGRAL PART OF THE COUNTRY'S ECONOMIC ADJUSTMENT PROGRAM. THIS REQUIRES A REDUCTION OF SUBSIDIES TO HELP TEMPER PUBLIC EXPENDITURES AND A MOVEMENT TOWARD WORLD PRICES IN THE MEXICAN MARKET. IN DOCLAR TERMS, UNLEADED GASOLINE INCREASED FROM \$1 02 IN OCTOBER, 1983, TO \$1.15 IN APRIL, 1984 AND TO \$1.26 IN JANUARY, 1985 (USING THE MEXICAN GOVERNMENT'S "MARKET" EXCHANGE RATE ON THE DATE OF EACH INCREASE).

16 IN EARLY DECEMBER 1984 A HUGE GAS EXPLOSION OCCURRED AT A PEMEX GAS DEPOT IN SAN JUAN EXHUANTERED ON THE OUT-SKIRTS OF MEXICO CITY. HOWEVER, THE TRAGEDY WILL HAVE A VERY LIMITED IMPACT ON PEMEX'S FINANCIAL POSITION AND ABILITY TO CARRY OUT ITS OPERATIONS AS A PRODUCER AND UNCLASSIFIED.

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DISTRIBUTOR OF PETROLEUM PRODUCTS.

AGRICULTURAL PRODUCTION CONTINUED TO IMPROVE:

17. DURING 1984, MEXICO'S AGRIGULTURAL PERFORMANCE CONTINUED ITS RECOVERY FROM THE DROUGHT-DEPRESSED LEVELS OF 1982. BASIC GRAIN AND OILSEED HARVESTS PROBABLY INCREASED ABOUT FIVE PERCENT IN 1984 COMPARED TO 1983. MORE-THAN-ADEQUATE RAINFALL IN 1984 LED TO HIGHER PRODUCTION LEVELS DESPITE EXCESSIVE RAIN IN CERTAIN CROP

AREAS, WHEAT OUTPUT, RISING BY 30 PERCENT, ACCOUNTED FOR MOST OF THE INCREASE IN TOTAL GRAIN HARVESTS. LIVESTOCK PRODUCTION WAS, MIXED IN 1984. CATTLE PRODUCTION REHAINS DEPRESSED BUT IS ESTIMATED TO HAVE INCREASED SLIGHTLY BECAUSE OF BETTER PRICES TO THE PRODUCER. POULTRY OUTPUT AND DEMAND ALSO RECOVERED IN 1984. WHEREAS PORK. POULTRY OUTPUT PRODUCTION CONTINUED TO DECREASE BECAUSE OF UNPROFITABLE PRICES TO PRODUCTS WERE GENERALLY EQUAL TO OR 880YE THE OVERALL OFFICIAL INFLATION RATE OF SPERCENT. PACE WITH INPUT COSTS. THESE PRICE INCREASES DID NOT KEEP PACE WITH INPUT COSTS.

19 HEXICO'S, TOTAL AGBICULTURAL THOORTS DECREASED 20
PERCENT IN YOU UME IN 1984 TO HEY DECREASED 20
PERCENT IN YOU UME IN 1984 TO HEY DECREASED 20
THE UNITED STATES REHAINS THE OBJETTER OF THE UNITED STATES REPRIED AND THE STATES BESTONED AND SUBJECT OF THE STATES BESTONED AND SUBJECT OF THE STATES BESTONED AND SUBJECT ON THE STATES BESTONED AND SUBJECT ON THE STATES BESTONED AND SUBJECT ON THE STATES BESTONED AND SUBJECT ON THE STATES BESTONED AND SUBJECT ON THE STATES BESTONED AND SUBJECT ON THE STATES BESTONED AND SUBJECT ON THE STATES BESTONED AND SUBJECT ON THE SUB AND

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DEPARTMENT PASS FEDERAL RESERVE BOARD. EXPORT IMPORT BANK, USTR, AND COMMERCE

E.O. 12356 : N/A

TAGS: EFIN, ECON, EINY, MX SUBJECT: MEXICO: EGONOMIC TRENDS REPORT, JULY 1985

1984 WERE ABOUT EQUAL TO ITS EXPORTS OF THESE PRODUCTS IN 1983. COFFEE, FRUITS AND VEGETABLES ARE ITS PRIMARY AGRICULTURAL EXPORTS TO THE UNITED STATES.

19. MEXICO'S 1985 TOTAL CROP PRODUCTION WILL PROBABLY BE NEAR OR SLIGHTLY ABOVE 1984'S FAVORABLE LEVEL ASSUMING GOOD HOISTURE CONDITIONS AND ADEQUATE RESERVOIR WATER THEREFORE, THPORTS OF BASIC FOODSTUFFS PROBABLY WILL BE CLOSE TO OR SLIGHTLY BELOW THOSE IN 1984. LIVE-STOCK PRODUCTION SHOULD CONTINUE TO RECOVER IN 1985. GIVEN HIGHER PRODUCTION SUPPORT PRICES AND THE GOVERN-HENT'S STATED INTENTION TO BRING ABOUT REAL WAGE UNCLASSIFIED UNCLASSIFIED

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INCREASES.

EXTERNAL SURPLUSES REMAINED LARGE:

- 20. DURING 1984 THE BALANCE OF PAYMENTS REFLECTED IMPORTANT TRENDS IN THE NATIONAL ECONOMY AND IN THE INTERNATIONAL SITUATION. THE NATIONAL RECOVERY STIMULATED SHARP RISES IN IMPORTS AND CURRENCY OUTFLOWS IN TOURISM, FRONTIER TRANSACTIONS AND OTHER HON-FACTOR SERVICES. HIGHER GROWTH IN DEVELOPED COUNTRIES, PARTICULARLY THE U.S., STIMULATED MEXICAN NON-PETROLEUM EXPORTS AND HELPED TO OFFSET INCREASES IN INTERNATIONAL INTEREST RATES.
- 21. IN 1984 MEXICO CONTINUED TO REGISTER SUBSTANTIAL SURPLUSES IN BOTH THE TRACE AND CURRENT ACCOUNTS OF THE BALANCE OF PAYMENTS. THE CURRENT ACCOUNT SURPLUS WAS \$4.0 BILLION WHICH WAS \$1.4 BILLION LESS THAN IN 1983. THE MERCHANDISE TRADE SURPLUS OF \$12.8 BILLION WAS \$1 BILLION WAS \$1 BILLION LESS THAN IN 1983. THE POSITIVE TRADE BALANCE WAS ALDED BY AN 18 PERCENT GROWTH IN NON-PETROLEUM EXPORTS, WHEREAS PETROLEUM EXPORTS GREW ONLY AT 3.6 PERCENT IMPORTS DECLINED BY 41 PERCENT IN 1983 BUT ROSE 32 PERCENT IN 1984. THIS GROWTH WAS DUE PRIMARILY TO INCREASED ACTIVITY IN THE INDUSTRIAL SECTOR AND THE DEMAND FOR IMPORTED INPUTS FOR EXPORT PRODUCTION.
- 22. IN-BOND INDUSTRIES GENERATED HI PERCENT HORE FORE IGN
 EXCHANGE IN 1984 THAN IN 1983. THESE COMPANIES NOW
 EMPLOY TWICE AS MANY PEOPLE AS IN DECEMBER 1982. DURING
 1984 SO, 600 NEW JOBS WERE CREATED IN THE IN-BOND
 INDUSTRIES, OR HALF OF ALL NEW JOBS CREATED BY THE MANUUNCLASSIFIED
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FACTURING SECTOR IN 1984.

23. THE TOURISH BALANCE FOR 1984 (NET INFLOWS WERE 1.3 BILLION DOLLARS) WAS 10 PERCENT ABOVE THE PREVIOUS YEAR. THE TOURISH BALANCE FOR 1983 HAD RISEN BY OVER 90 PERCENT BUT IMPORTANT FACTORS IN HOLDING DOWN THE GROWTH OF REVENUES LAST YEAR WERE THE ADDED STRENGTH OF THE DOLLAR AGAINST EUROPEAN CURRENCIES (WHICH ENCOURAGED MORE TRAVEL TO EUROPE) AND THE LOS ANGELES OLYMPIC GAMES WHICH ATTRACTED MANY MEXICANS TO THE U.S.). FRONTIER TRANSACTIONS SHOWED A DEFICIT OF \$191 MILLION IN 1984. IN

1983 MEXICO HAD A POSITIVE BALANCE IN THIS CATEGORY.
REASONS FOR THE CHANGE IN THE BALANCE WOULD INCLUDE (A)
INCREASED ECONOMIC ACTIVITY IN THE MEXICAN BORDER CITIES
LARGELY BECAUSE OF MAQUILADORAS AND (B) THE REAL
APPRECIATION OF THE MEXICAN PESO VIS-A-VIS THE DOLLAR,
WHICH MADE PURCHASES IN THE UNITED STATES HORE ATTRACTIVE.

MAJOR FOREIGN EXCHANGE FLOWS IN THE CURRENT ACCOUNT

			EXPENDITURES (IMPORTS)	BALANCE
TOURISH IN BOND IN	NDUSTRIES	1.329 1.953 1.155	1,520 646	-191 1,307 1,155
(MAQUIL MERCHANDI INTEREST OTHER SER (NON-FI	SE TRADE Vices	24, 054 2, 052 1, 524	11,254 11,856 2,786	12,800 -9,804 -1,262

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R 2319447 JUL 85
FM AMENBASSY MEXICO
TO SECSTATE WASHDC 1846
TREASURY WASHDC
[NFO: AHENBASSY LIMA
AMENBASSY CARACAS
AMENBASSY BRASILIA
USCONS MEXICO POUCH

UNCLAS SECTION 08 OF 16 MEXICO 15249

DEPARTMENT PASS FEDERAL RESERVE BOARD, EXPORT IMPORT BANK, USTR, AND COMMERCE

E.O. 12356 N/A
TAGS EFIN, ECON, EINV, MX
SUBJECT: MEXICO: ECONOMIC TRENDS REPORT, JULY 1985

TRANSFERS

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376.

24. THE CAPITAL ACCOUNT FOR 1984 SHOWED A NET OUTFLOW OF \$1.6 BILLION COMPARED TO \$1.1 BILLION IN 1983. THIS RESULTS IN LARGE PART FROM A SHARR CONTRACTION IN THE USE OF LONG-TERM EXTERNAL CREDITS. PUBLIC SECTOR AMORTIZATION PAYMENTS TOTALED ONLY \$1.7 BILLION. PAYMENTS CAME TO \$2.1 BILLION OF WHICH \$570 HILLION WAS HADE VIA THE MEXICAN GOVERNMENT PROGRAM CALLED FICORCA WHICH PROVIDES HEXICAN PRIVATE SECTOR BORROWERS WITH FOREIGN EXCHANGE RISK COVERAGE ON THEIR FOREIGN DEBT. NET DIRECT FOREIGN UNCLASSIFIED UNCLASSIFIED

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INVESTMENT FOR THE ENTIRE YEAR CAME TO \$391 MILLION. THE ERRORS AND OMISSIONS CATEGORY SHOWS A NEGATIVE BALANCE OF

\$151 MILLION COMPARED TO A NEGATIVE \$917 MILLION IN 1983.

25. MEXICO'S FOREIGN EXCHANGE RESERVES INCREASED BY \$3.2 BILLION IN 1984. THIS INCREASE RESULTED MAINLY FROM THE TRADE SURPLUS.

-	BALANC	E OF PAYMENTS
•	- 1 C \$ 1	BILLIONS)
•	a di Alianda	D. F. C. F. OLIGO

		1983	1984
	•		
CURRENT ACCOUNT		5. 3.	4.0
MERCHANDISE TRADE		13.8	12.8
FINANCIAL SERVICES (LARGELY	,		,
INTEREST PAYMENTS)		-9.2	-10.1
CAPITAL ACCOUNT	•	-1.1	-1.6
LONG TERM	• • • • • • • • • • • • • • • • • • • •	7.3	2.6
SHORT TERM	•	-8.4	-4.2
			: .
ERRORS AND ONISSIONS		9	-0.2
CENTRAL BANK (BANK OF MEXICO)	:	3.3	2.2
LOANS FROM INTERNATIONAL			
ORGANIZATIONS		2	1.1
CHANGE IN RESERVES		3.1	3.2
			, ,

1984 INFLATION WAS 20 POINTS LESS THAN IN 1983 BUT 20

POINTS OVER TARGET:

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26. THE CONSUMER PRICE INDEX INCREASED 59.2 PERCENT IN 1984 ON A DECEMBER TO DECEMBER BASIS. PRODUCER PRICES ROSE BY 60.1 PERCENT. THE WHOLESALE PRICES FOR MEXICO CITY WERE UP BY 63.2 PERCENT. THESE THREE INDICES ALL SHOWED IMPROVEMENT OF 15 TO 20 PERCENTAGE POINTS COMPARED TO 1983. THE DECEMBER TO DECEMBER INCREASE IS GENERALLY USED AS THE BENCHMARK RATHER THAN THE AVERAGE YEAR TO YEAR INCREASE. FROM 1983 TO 1984, THE AVERAGE YEAR TO YEAR RATES OF INCREASE WERE SOMEWHAT HIGHER THAN THE DECEMBER-TO-DECEMBER LEVELS. THE AVERAGE INCREASES FROM 1983 TO 1984 WERE CPI: 65.5 PERCENT, PRODUCER PRICES:

63.6 PERCENT, AND WPI (MEXICO CITY): 70.3 PERCENT. THE COMPARABLE RATES FROM 1982 TO 1983 WERE 101.9, 99.3, AND 107.4 PERCENT RESPECTIVELY.

27. THE INFLATIONARY PRESSURES IN 1984 WERE DUE TO A NUMBER OF FACTORS. IN AN EFFORT TO REDUCE THE LEVEL OF SUBSIDIES THE MEXICAN GOVERNMENT HAS BEEN RAISING THE PRICES OF PRICE-CONTROLLED PRODUCTS AT A FASTER RATE THAN THE PRICES OF NON-CONTROLLED PRODUCTS HAVE INCREASED. (66.1 PERCENT VS 55.7 PERCENT). PARTICULARLY LARGE HIKES WERE REGISTERED IN GASOLINE, BREAD, SOFT DRINKS, TORTILLAS, EGGS, MILK AND ELECTRICITY. PRICES OF THOSE ITEMS INCLUDED IN THE "BASIC FOOD BASKET" JUMPED BY 74.2 PERCENT COMPARED TO 72.1 PERCENT IN 1983.

28. GOVERNMENT SPENDING HAS ALSO BEEN A MAJOR CONTRIBUTING FACTOR. DURING THE FIRST HALF OF THE YEAR THE COMBINED DEFICITS OF THE PARASTATAL COMPANIES EXCLUDING PEMEX WERE MORE THAN 100 PERCENT OF THEIR PROGRAMMED DEFICITS FOR THE ENTIRE YEAR. FURTHERMORE, THE GOVERNMENT PROGRESSIVELY REFLATED THE ECONOMY AND THE RATIO OF THE PUBLIC SECTOR DEFICIT TO GDP IN 1984 WAS 7.4 PERCENT

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R 2319442 JUL 85
FM AMEMBASSY MEXICO
TO SECSTATE WASHOC 1847
TREASURY WASHOC
[NFO AMEMBASSY LIMA
AMEMBASSY CARACAS
AMEMBASSY BRASILIA
USCONS MEXICO POUCH

UNCLAS SECTION 09 OF 16 MEXICO 15249

DEPARTMENT PASS FEDERAL RESERVE BOARD, EXPORT IMPORT BANK, USTR, AND COMMERCE

E.O. 12356 : N/A TAGS: EFIN, ECON, EINY, MX SUBJECT: MEXICO: ECONOMIC TRENDS REPORT, JULY 1985

AS COMPARED TO A 6.5 PERCENT FIGURE AGREED TO WITH THE IMF. THE HIGH DEGREE OF IMPORT PROTECTION IN MEXICO ALSO EXERTED AN INFLATIONARY IMPACT AS DID A LARGER THAN EXPECTED NET INFLOW OF FOREIGN EXCHANGE. FINALLY, IN SEVERAL INDUSTRIES WHERE PRODUCT DEMAND IS RELATIVELY INFLASTIC PRICES INCREASED AT A FASTER PACE THAN COSTS AS COMPANIES MADE AN EFFORT TO MAINTAIN PROFIT LEVELS.

THE MONEY SUPPLY GROWTH WAS HIGHER THAN INFLATION:

29. IN 1984, THE M-1 MEASUREMENT OF THE MONEY SUPPLY UNCLASSIFIED UNCLASSIFIED

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GREW BY 63.1 PERCENT, 4 PERCENTAGE POINTS MORE THAN THE RATE OF INFLATION. THE N-4 MEASUREMENT OF TOTAL

OBLIGATIONS OF THE BANKING SYSTEM GREW BY 67.6 PERCENT.
THE RATES FOR 1983 WERE 41.4 AND 59.8 RESPECTIVELY. THE
INCREASE IN MONETARY AGGREGATES REFLECTED THE INCREASE IN
INTERNATIONAL RESERVES (LARGELY DUE TO THE TRADE
SURPLUS). THE INJECTION OF LIQUIDITY FROM PUBLIC SECTOR
SPENDING, AND THE REGOVERY OF DEPOSITS IN FINANCIAL
INSTITUTIONS. BANK DEPOSITS INCREASED BY 5.1 PERCENT IN
REAL TERMS OUR ING. 1984.

30. THE GROWTH OF M-1 PROGRESSIVELY ROSE THROUGHOUT 1984. THE PREVIOUS TWELVE MONTH RATE OF INFLATION MEASURED IN JANUARY 1984 WAS 73.4 PERCENT WHILE M-1 GROWTH WAS 41.7 PERCENT. AS NOTED IN THE TABLE BELOW, BY NOVEMBER THEY WERE VIRTUALLY THE SAME AT SLIGHTLY MORE THAN 59 PERCENT AND A LARGE INCREASE IN THE MONEY SUPPLY IN DECEMBER PARTIALLY BECAUSE OF CHRISTMAS BONUSES AND HIGH LEVELS OF GOVERNMENT SPENDING PUT YEAR-END M-1 GROWTH AHEAD OF INFLATION.

• •• ••	T.	1 GROWTH OVER JE SAME MONTH I PREVIOUS YEAR	CPI INCREAS OVER THE PREVIOUS 12 M	
YEAR-END	1983	41.4	80.8	
JANUARY 1 FEBRUARY MARCH APRIL		41.7 44.7 50.2 56.7	73.4 73.3 72.3 69.1	
UNCLASSIF UNCLASSIF PAGE: 03	IED	0 15249 09 OF	16 2320352	
MAY JUNE		56.8 56.9	67.4 67.1	
JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER		55.0 50.9 54.8 59.3 59.1 63.1	64.5 62.8 62.7 63.0 59.2 59.2	

31. INTEREST RATES PROGRESSIVELY DECLINED FROM JANUARY

THROUGH MUCH OF 1984 AND THEN TENDED TO STABLIZE DURING THE LAST PART OF THE YEAR. INTEREST RATES ON SHORT TERM TIME DEPOSITS (30/90 DAYS) FELL FROM 53-54 PERCENT IN OCTOBER. INTEREST RATES ON 90 DAY TREASURY NOTES FELL FROM 12.5 PERCENT TO 47.7 PERCENT DURING THE FIRST II MONTHS OF THE YEAR WHILE THE EFFECTIVE RATE OF INTEREST FOR LIM RISK BUSINESS LOANS DECLINED FROM 88.2 PERCENT TO 69 B PERCENT OVER THE SAME PERIOD.

JE THE MEXICAN GOVERNMENT INCREASED THE MINIMUM WAGE LEVEL BY 30.4 PERCENT ON JANUARY 1, 1984, BY ANOTHER 20 PERCENT ON JUNE 6, AND BY ANOTHER 30 PERCENT ON JANUARY 1, 1985. THE CUMULATIVE TOTAL FOR 1984 COMES TO ABOUT 56 PERCENT WHEN THE JUNE 1984 INCREASE IS COUPLED WITH THAT OF JANUARY 1984 OR THAT OF JANUARY 1985. SINCE THE OFFICIAL INFLATION RATE FOR THAT PERIOD WAS SOMEWHAT HIGHER (59 PERCENT), THERE WAS A SLIGHT REAL REDUCTION IN MINIMUM WAGES IN 1982 AND 1983. THE MINIMUM WAGE, WHILE NOT REPRESENTATIVE OF ALL INCOME IN MEXICO, TENDS TO SET A PRECEDENT FOR OTHER WAGE NEGOTIATIONS. THE GOVERNMENT

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INFO AMEMBASSY LIMA
AMEMBASSY CARACAS
AMEMBASSY BRASILIA
USCONS MEXICO POUCH

UNCLAS SECTION 10 OF 16 MEXICO 15249

DEPARTMENT PASS FEDERAL RESERVE BOARD, EXPORT IMPORT BANK, USTR. AND COMMERCE

E.O. 12356 : N/A

TAGS: EFIN, ECON, EINV, MX

SUBJECT: MEXICO: ECONOMIC TRENDS REPORT. JULY 1985

HAS PROMISED TO MODESTLY INCREASE REAL HAGES IN 1985.

33. MEXICO MAINTAINED A DUAL EXCHANGE RATE SYSTEM THROUGHOUT 1984. THE CONTROLLED RATE DEPRECIATED AGAINST THE U.S. DOLLAR BY 33.8 PERCENT AND THE OFFICIAL MARKET RATE BY 30.1 PERCENT. BOTH RATES MAINTAINED A DAILY SLIDE OF 13 CENTAVOS PER DAY UNTIL DECEMBER 6, 1984 WHEN THE SLIDE INGREASED TO 17 CENTAVOS PER DAY. THREE REASONS FOR THE CHANGE WERE: (1) THE RESURGENCE OF INFLATION NEAR YEAR END 1984, (2) THE REVALUATION OF THE DOLLAR AGAINST MAJOR INTERNATIONAL CURRENCIES, AND (3) A REAL APPRECIATION OF THE PESO AGAINST THE DOLLAR GIVEN UNCLASSIFIED

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THE DIFFERENCES IN INFLATION BETWEEN THE TWO COUNTRIES.

THE BUDGET DEFICIT WAS LARGER THAN PROGRAMMED:

34. MEXICO'S PUBLIC SECTOR FINANCIAL DEFICIT FOR 1984 WAS ABOUT 2.2 TRILLION PESOS, SLIGHTLY MORE THAN THE 1983 DEFICIT IN ABSOLUTE TERMS. AS A PERCENTAGE OF GOP, THE DEFICIT FELL FROM 17.6 PERCENT IN 1982 TO 8.9 PERCENT IN 1983 TO 7.4 PERCENT IN 1984. DURING 1984, ABOUT 83 PERCENT OF THE DEFICIT WAS FINANCED INTERNALLY, PRIMARILY THROUGH CENTRAL BANK OPERATIONS. THIS COMPARES WITH 66 PERCENT IN 1983. IN BOTH YEARS FOREIGN LOANS FINANCED THE REMAINDER.

JS. TECHNICALLY, THE FEDERAL GOVERNMENT ACCOUNTED FOR MOST OF THE OVERALL PUBLIC SECTION FINANCIAL DEFICIT IN 1984 ACCORDING TO BASIC DATA SUPPLIED IN THE BANK OF MEXICO'S ANNUAL REPORT. AS A GROUP PARASTATAL ENTITIES RAN A SURPLUS OF 235 BILLION PESOS, BUT THIS WOULD BECOME A DEFICIT IF PEMEX'S 500 BILLION PESOS SURPLUS WERE TAKEN OUT. HOWEVER, IF SUBSIDIES AND TRANSFERS TO THE PARASTATALS WERE PUT BACK INTO THE FEDERAL GOVERNMENT'S ACCOUNT, THE PARASTATALS OTHER THAN PEMEX WOULD ACCOUNT FOR THE BULK OF THE DEFICIT.

PUBLIC SECTOR FINANCES (PESOS BILLIONS)

			1983	1984
REVENUE		5.	895.0	9,484.2
UNCLASSIFIED				
UNCLASSIFIED				
PAGE 03	MEXICO 15249	10 OF 16	2320362	e e e e e e e e e e e e e e e e e e e
FEDERAL GOVER	NMFNT		181.0	4.942.6
TAXES PAI	D BY PENEX		170.5	1,707.7
OTHER TAX	ESWEET 1			3,005.7 229.2
PARASTATAL EN	TEDDOISES		433.6	6,956.3
PEMEX		2,	544.0	3,840.8
OTHERS			389.6	3,115.5
	DE THE BUDGET		295.6	533.3
- VIDE INO PEDE	RAL DISTRICT)			

COMPENSATORY TRANSACTIONS (TO AVOID DOUBLE-COUNTING)	-2,015.2	-2,948.0
EXPENDITURES		11,188.2
PERSONNEL	1,203.9 2,180.7	1,879.5
INTEREST SUBSIDIES AND TRANSFERS	2, 180.7 981.7	3,097.8 1.418.1
INVESTMENT	1,317.8	
INVESTMENT OTHER		2,748.6
OTHER DEFICIT OUTSIDE BUDGET	93.6	153.0
FINANCIAL INTERNEDIATION	95.0	
FINANCIAL DEFICIT	1,520.8	<u></u>
36. PEMEX ACCOUNTS FOR A VERY LARG	F SHARE OF T	HE
MEXICAN GOVERNMENT'S REVENUES ONC	E TRANSFERS	AND
SUBSIDIES ARE NETTED OUT. PETROLEUM	POPERATIONS	PROVIDED
ALMOST 60 PERCENT OF PUBLIC SECTOR		
TAXES (EXCLUDING TAXES PAID BY PEHE	XX FRUYTUEU	MKUUNU JE

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INFO LOG-00 CORY-01 ADS-00 AID-00 INR-10 CIAE-00 COMP-01 EB-08 DODE-00 H-01 EXIM-06 NSAE-00 COME-00 LAB-04 ITC-01 OPIC-07 CEA-01 OMB-01 STR-14 SIL-01 FRB-01 AGR-01 JUS-01 USIE-00 SP-02 DOEE-00 SLPD-01 /062 W

R 2319442 JUL 85 FN AMENBASSY MEXICO TO SECSTATE WASHOC 1849 TREASURY WASHOC INFO ANEMBASSY LIMA AMEMBASSY CARACAS AMENBASSY BRASILIA USCONS MEXICO POUCH

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DEPARTMENT PASS FEDERAL RESERVE BOARD. EXPORT IMPORT BANK, USTR. AND COMMERCE

E.O. 12356 N/A

TAGS: EFIN, ECON, EINV, MX SUBJECT: MEXICO: ECONOMIC TREMOS REPORT, JULY 1985

PERCENT OF THE TOTAL.

ON THE EXPENDITURE SIDE, THE LARGEST SINGLE COMPONENT WAS INTEREST COSTS WHICH CAME TO ABOUT 28 PERCENT OF TOTAL AND ITTLE OVER HALF OF THESE INTEREST OUTLAYS WENT TO SERVICING THE PUBLIC DEBT HELD EXTERNALLY. CAPITAL EXPENDITURES IN 1984 AMOUNTED TO 18 PERCENT OF TOTAL EXPENDITURES.

> SOURCE OF PUBLIC SECTOR DEFICIT (PESOS BILLIONS)

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FEDERAL GOVERNMENT

1.722.2

PARASTATAL ENTITIES PENEX OTHERS	-235.3 -503.7 268.4
SECTORS OUTSIDE BUDGET	217.1
FINANCIAL INTERMEDIATION	399.0
FINANCIAL DEFICIT	2,103.0
IV. DEVELOPMENTS IN 1985 AND I	IMPLICATIONS FOR THE
UNITED STATES	
IN THE FIRST HALF OF 1985 POSIT	TVE ECONOMIC GROWTH
ONTINUES, FOREIGN EXCHANGE INF	LOWS CONTRACT AND

INFLATION IS HIGHER THAN TARGET 38. THE MEXICAN GOVERNMENT'S ECONOMIC STRATEGY FOR 1985 STRESSED THE SAFEGUARDING OF THE HARD WON ECONOMIC

FUNDAMENTAL OBJECTIVES FOR THIS YEAR WERE: -- CONTINUING REDUCTION IN INFLATION.

CONTINUED REACTIVATION OF ECONOMIC ACTIVITY AND FURTHER STRUCTURAL CHANGES IN THE ECONOMY. UNCLASSIFIED UNCLASSIFIED

IMPROVEMENTS REALIZED IN 1983 AND 1984. THE FOUR

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- -- AN INCREASE IN REAL WAGES AND IMPROVEMENT IN THE ECONOMIC WELL-BEING OF THE MEXICAN POPULACE.
- FURTHER ADJUSTMENTS (I.E., INCREASED REVENUES AND MORE EFFICIENT SPENDING IN PUBLIC FINANCES AND ADDITIONAL PROGRESS IN REDUCING THE FINANCIAL DEFICIT OF THE PUBLIC SECTOR.
- 39. THE MEXICAN GOVERNMENT'S DECEMBER-TO-DECEMBER INFLATION TARGET FOR THE YEAR IS 35 PERCENT, DOWN

SIGNIFICANTLY FROM THE 59 PERCENT RATE IN 1984.
CUMULATIVE CONSUMER PRICE INFLATION FOR THE FIRST 6
MONTHS OF 1985 IS 25.7 PERCENT WHICH WOULD IMPLY
YEAR-END INFLATION SOMEWHAT BELOW THE 1984 LEVEL BUT
WELL ABOVE TARGET. INFLATION THUS FAR IN 1985 HAS
STEADILY DECREASED FROM A JANUARY RATE OF 7.4 PERCENT ON
A MONTH-TO-MONTH BASIS TO 2.4 PERCENT IN MAY AND 2.5
PERCENT IN JUNE, THE LOWEST MONTHLY RISES SINCE NOVEMBER

M-1 GROWTH VS. INFLATION

	M-1 GROWTH OVER CPI INCREASE	
	THE SAME MUNTH OVER THE IN PREVIOUS YEAR PREVIOUS 12 MONTHS	5
YEAR END 1984	63.1	-
JANUARY 1985 FEBRUARY	61.9 63.7 59.0	
MARCH APRIL	59.5 53.5 56.5	

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R 2319447 JUL 85
FM AMENBASSY MEXICO
TO SECSTATE WASHOC 1850
TREASURY WASHOC
INFO AMEMBASSY LIMA
AMEMBASSY CARACAS
AMEMBASSY BRASILIA
USCONS MEXICO POUCH

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DEPARTMENT PASS FEDERAL RESERVE BOARD, EXPORT IMPORT BANK, USTR, AND COMMERCE

E.O. 12356 : N/A

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MAY JUNE N.A. 53.5

40. THE MEXICAN GOVERNMENT INCREASED THE MINIMUM WAGE BY 30 PERCENT IN JANUARY 1985 AND BY ANOTHER 18 PERCENT IN JUNE 1985 FOR A CUMULATIVE COMPOUNDED ANNUAL RATE OF JUST OVER 53 PERCENT. SHOULD THE TREND OF LOWER INFLATION LEVELS IN THE MONTHS OF MAY AND JUNE CONTINUE, IT IS POSSIBLE THAT THE ANNUAL INFLATION FOR 1985 WILL BE LESS THAN THE INCREASES IN THE MINIMUM WAGE. THIS WOULD HELP THE MEXICAN GOVERNMENT REALIZE ONE OF ITS MAJOR GOALS FOR 1985 AND IT WOULD BE THE FIRST TIME IN SEVERAL YEARS THAT UNCLASSIFIED

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WAGES WOULD INCREASE IN REAL TERMS. HOWEVER, IF THE PESO IS DEVALUED AT SIGNIFICANTLY HIGHER RATES DURING THE

SECOND HALE OF THE YEAR THE RATE OF INFLATION COULD PICK UP AGAIN.

41. AT MID-YEAR 1985 THE MEXICAN GOVERNMENT IS PROJECTING GDP GROWTH IN THE 2.5 TO J.5 PERCENT RANGE. THROUGH JUNE THE ECONOMY PROBABLY HAS BEEN GROWING AT A FASTER RATE, PERHAPS ABOUT 4-5 PERCENT. HOWEVER, IT APPEARS THAT GROWTH DURING THE SECOND QUARTER WAS LOWER THAN IN THE FIRST QUARTER. HOREOVER, THE AUTHORITIES ARE EXPECTING A CONSIDERABLE SLOWDOWN IN ECONOMIC ACTIVITY DURING THE SECOND HALF OF THE YEAR PRIMARY CONTRIBUTING FACTORS ARE EXPECTED TO BE CUTBACKS IN PUBLIC SECTOR SPENDING COMPLEMENTED BY CONTRACTIONS IN THE NOMINAL RATES OF GROWTH IN THE HONEY SUPPLY AND GREDIT.

42. ACCORDING TO BANK OF MEXICO FIGURES EMPLOYMENT IN THE MANUFACTURING SECTOR AS OF MARCH 1985 WAS 4.5 PERCENT HIGHER THAN IN THE SAME MONTH IN 1989. THE MEXICAN GOVERNMENT HAS STATED ON NUMEROUS OCCASIONS THAT THE OPEN UNEMPLOYMENT RATE HAS REMAINED STABLE AT ABOUT 8 PERCENT SINCE 1982. UNDEREMPLOYMENT REMAINS A SERTOUS PROBLEM IN MEXICO WITH SOME ESTIMATES RANGING AS HIGH AS 40-45 PERCENT OF THE ECONOMICALLY ACTIVE POPULATION BUT THIS IS NOT A GREAT INCREASE OVER MORE NORMAL TIMES.

THE REAL RATE OF GROWTH OF FUNDS FLOWING INTO THE FINANCIAL SYSTEM HAS BEEN NEGATIVE SO FAR THIS YEAR. RESOURCE CAPTURE (NEW DEPOSITS IN THE BANKING SYSTEM PLUS PURCHASES OF TREASURY BILLS) IN 1985 HAS INCREASED BY ONLY 13 PERCENT DURING THE FIRST FIVE MONTHS OF THE YEAR WHICH MARKS A SUBSTANTIAL DECLINE IN REAL TERMS GIVEN UNCLASSIFIED

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THAT INFLATION FOR THE SAME PERIOD WAS 23 PERCENT. REAL LEVELS OF FINANCING BY THE BANKS TO INDIVIDUALS AND COMPANIES IS ALSO DOWN AND THE GOVERNMENT HAS BEEN ABSORBING THE BULK OF NEW CREDIT FLOWS.

HY. AS A RESULT OF THIS AND ONGOING INFLATIONARY PRESSURES INTEREST RATES ON TREASURY BILLS HAVE RISEN DRAMATICALLY. THE SHORT TERM RATES FOR BILLS ISSUED IN THE LAST WEEK OF JUNETROSE TO 73% PERCENT, IMPLYING VERY HIGH REAL INTEREST RATES. THE RATES FOR TREASURY BILLS AT THE START OF THE YEAR WERE LESS THAN 50 PERCENT.

INTEREST RATES ON PESO DENOMINATED SAVINGS ACCOUNTS ALSO ROSE DRAMATICALLY DURING THE SECOND QUARTER OF 1985. FURTHERMORE, THE AVERAGE GOST OF FUNDS FOR COMMERCIAL BANKS HAS RISEN EVERY MONTH IN 1985 FROM JANUARY'S 47.2 PERCENT TO MAY'S 53.8 PERCENT.

45. THE DAILY SLIDE OF THE PESO IN THE CONTROLLED AND OFFICIAL MARKET RATES INCREASED FROM 17 TO 21 CENTAVOS PER DAY IN MARCH 1985 IN A MOVE TO NARROW THE GAP BETWEEN THE SLIPPAGE IN THE EXCHANGE RATE AND THE DIFFERENCE IN THE INFLATION RATES IN THE UNITED STATES AND MEXICO. AS OF JULY 15, 1985 THERE HAVE BEEN SEVERAL SHARP INCREASES IN THE OFFSHORE EXCHANGE RATE. THE INCREASES IN THIS RATE HAVE REAGHED ALMOST 60 PERCENT OVER THE CONTROLLED MARKET RATE IN SHORT BURSTS AND SUSTAINED LEVELS OF 30 PERCENT OVER THE OFFICIAL MARKET RATE. THESE HIGH OFFSHORE RATES REFLECT CONGERN OVER INFLATION, OIL PRICES, AND THE GENERAL STATE OF THE ECONOMY.

46. MEXICO RETAINED ITS EXISTING DUAL EXCHANGE RATE SYSTEM UNTIL MID-YEAR 1985 WHEN THE FOLLOWING EVENTS OCCURRED:

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R 2319447 JUE 85
FN AMENBASSY MEXICO
TO SECSTATE MASHOC 1851
TREASURY MASHOC
INFO AMENBASSY LIMA
ANEMBASSY CARACAS
AMEMBASSY BRASILIA
USCONS MEXICO POUCH

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DEPARTMENT PASS FEDERAL RESERVE BOARD. EXPORT IMPORT BANK, USTR, AND COMMERCE

E.O. 12356 N/A

TAGS: EFIN. ECON, EINY, MX

SUBJECT: MEXICO: ECONOMIC TRENDS REPORT, JULY 1985

-- BANKS WERE ALLOWED TO OPEN EXCHANGE HOUSES OPERATING AT THE TRUE MARKET EXCHANGE RATE (I.E. THEY WERE ALLOWED TO OFFER RATES TO COMPETE WITH OFFSHORE RATES).

-- THE OFFICIAL MARKET EXCHANGE RATE WAS ELIMINATED;
FOREIGN EXCHANGE FOR TOURISH AND NON-ESSENTIAL IMPORTS
WAS AVAILABLE ONLY AT A TRUE MARKET EXCHANGE RATE. AS OF
THIS WRITING, THE CONTROLLED RATE (FOR FOREIGN TRADE AND
DEBT PAYMENTS -- 80 PERCENT OF FOREIGN EXCHANGE TRANSACTIONS) REMAINED IN PLACE WITHOUT CHANGE.

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47. THE BUDGET DEFICIT HAS REMAINED A DIFFICULT PROBLEM IN 1985, ALTHOUGH LOWER THAN EXPECTED INTERNATIONAL

INTEREST RATES HAVE PROVIDED SOME RELIEF. GOVERNMENT INDICATORS FOR THE FIRST QUARTER OF 1985 SHOW THE DEFICIT FOR THAT PERIOD TO BE ABOUT SHOUBILLION PESOS, WHICH REPRESENTS A 53 PERCENT INCREASE OVER THE DEFICIT. FOR THE FIRST QUARTER OF 1984, ALMOST NO CHANGE IN REAL TERMS. NON INTEREST OUTLAYS HAVE BEEN RUNNING HIGHER THAN PROJECTED ALTHOUGH INTEREST PAYMEN SHARE LOWER BECAUSE OF THE SHARP FALL IN INTERNATIONAL INTEREST RATES OVER THE PAST 9 MONTHS. IN THE FIRST QUARTER OF 1985 THE GOVERNMENT'S INTERNAL INDESTEDNESS, INCREASED BY 496 BILLION PESOS. 78 PERCENT MORE THAN THE IN REASE IN THE FIRST QUARTER OF 1984. HOWEVER, EXTERNAL INDESTEDNESS INCREASED BY ABOUT 64 BILLION PESOS. 25 PERCENT LOWER THAN THE CORRESPONDING INCREASE IN 1984:

THE MEXICAN GOVERNMENT HAS AN IOUNCED TWO SEPARATE PUBLIC SECTOR BUDGET GUTS THE FIRST IN MID-FEBRUARY FOR 250 BILLION PESOS AND THE SECOND FOR 300 BILLION PESOS IN EARLY JUNE. THE MAJOR AREA TO BE CUT BREK IS IN PUBLIC SECTOR INVESTMENT, PARTICULARLY IN THE ENERGY AND STEEL SECTORS. FOR THE REASONS FOR THESE BUDGET MEASURES WAS TO PREVENT THE COUNTRY FROM HAVING TO USE THE SPECIAL CONTINGENCY FUND IN THE BUDGET (200 BILLION PESOS) WHICH IS INTENDED FOR POSSIBLE USE IN THE EVENT OF FURTHER INGREASES OF INTERNATIONAL INTEREST RATES OR

49. OTHER REASONS FOR THE CUTS INCLUDE THE NEED TO COMBAT INFLATION AND TO COPE WITH THE INCREASING UNCERTAINTY SURROUNDING THE FUTURE OF WORLD PETROLEUM PRICES. THESE BUDGET CUTS REPRESENT ATTEMPTS BY THE UNCLASSIFIED UNCLASSIFIED

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MEXICAN GOVERNMENT TO TRY TO KEEP THE PUBLIC SECTOR
FINANCIAL DEFICIT AS A RATTO TO GOP WITHIN THE ACCEPTABLE
RANGE SPECIFIED IN ITS ORIGINAL AGREEMENT WITH THE IMF.
THAT BENCHMARK IS SLIGHTLY LESS THAN 5.0 PERCENT OF GOP
FOR 1985.

50. INTEREST RATES HAVE HAD A SIGNIFICANT EFFECT ON PUBLIC SECTOR SPENDING THUS FAR IN 1985. THE PRIME RATE IN THE UNITED STATES HAS DECLINED FROM 13 PERCENT IN SEPTEMBER 1984 TO 9.5 PERCENT IN JUNE 1985. IT HAS BEEN ESTIMATED THAT HEXICO'S ANNUAL INTEREST PAYMENTS DECLINE

BY AROUND \$700-800 MILLION FOR EACH I POINT DECLINE IN THE PRIME RATE. MEXICAN GOVERNMENT OFFICIALS, HOWEVER, SAID THAT BUDGET SAYINGS FROM OWER DEBT SERVICING COSTS ON EXTERNAL DEBT WILL BE OFFSE IN PART BY HIGHER DOMESTIC INTEREST RATES ON THE INTERNAL DEBT.

- 51. ACCORDING TO BUDGET ESTIMATES BY THE MEXICAN GOVERNMENT, NEW FOREIGN BORROWING BY THE PUBLIC SECTOR IN 1985
 WILL BE LIMITED TO \$1 BILLION, THE LOWEST LEVEL IN THE
 LAST 13 YEARS. FURTHERMORE, THE AUTHORITHES HAVE MADE A
 COMMITMENT THAT BETWEEN 1983 AND 1985 NET NEW PUBLIC
 SECTOR FOREIGN BORROWING WILL NOT EXCEED \$8.8 BILLION.
 CURRENTLY, IT APPEARS THAT MEXICO WILL BE ABLE TO MEET
 THIS COMMITMENT.
- 52. MEXICO'S NEGOTIATIONS WITH ITS FOREIGN, COMMERCIAL BANK CREDITORS IN 1984 WERE HIGHLY SUCCESSFUL AND TENTATIVE AGREEMENT WAS REACHED ON RESCHEDULING \$48 BILLION. FINAL AGREEMENT IN PRINCIPAL WAS REACHED IN EARLY 1985 AS A RESULT OF THIS RESCHEDULING AVERAGE ANNUAL AMORTIZATION PAYMENTS DURING THE REST OF THE BECADE WILL BE ABOUT \$9. BILLION LESS THAN UNDER ORIGINAL

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R 2319447 JUL 85 FM AHENBASSY MEXICO TO SECSTATE WASHOC 1852 TREASURY WASHDO INFO AMEMBASSY LIMA AMEMBASSY CARACAS AMEMBASSY BRASILTA USCONS MEXICO POUCH

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DEPARTMENT PASS FEDERAL RESERVE BOARD. EXPORT IMPORT BANK, USTR. AND COMMERCE

E.O:-12356 :: N/A TAGS: EFIN, ECON, EINV, MX SUBJECT: MEXICO: ECONOMIC TRENDS REPORT, JULY 1985

AGREEMENTS WITH THE BANKS FURTHERMORE, THE BENCHMARK FOR CALCULATING INTEREST PAYMENTS WILL NOW BE LIBOR RATHER THAN THE U.S. PRIME RATE AND THIS IS EXPECTED TO SAVE \$300-500 MILLION PER YEAR IN INTEREST PAYMENTS THROUGH 1989:

53. ACCORDING TO GOVERNMENT STATUSTICS, AT THE END OF MARCH 1985 MEXICO'S PUBLIC SECTOR EXTERNAL DEBT STOOD AT \$69.96.BILLION, AN INGREASE OF \$580 MILLION OVER THE YEAR END 1984 FIGURE: OF THE TOTAL PUBLIC SECTOR DEBT., 37.6 PERCENT CORRESPONDS TO THE FEDERAL GOVERNMENT, 38.7 PERCENT TO THE STATE ENTERPRISES UNDER BUDGET CONTROL, 19.5 UNGLASSIFIED UNCLASSIFIED

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PERCENT TO DEVELOPMENT BANKS AND 4.1 PERCENT TO OTHER ENTITIES. DEBT SERVICING PAYMENTS DURING THE FIRST 3

MONTHS OF THE YEAR TOTALED \$3.67 BILLION. OF THIS \$2.2 BILLION CORRESPONDED TO INTEREST PAYMENTS AND \$1.47 BILLION CORRESPONDED TO AMORTIZATION. PUBLIC SECTOR NET EXTERNAL DEBT INCREASED BY \$400 MILLION DURING THE FIRST QUARTER OF 1985. THIS IS 40 PERCENT OF THE TOTAL INCREASE IN NET EXTERNAL INDESTEDN SS PROGRAMMED FOR THE YEAR. UNITED STATES BANKS AND OFF CIAL INSTITUTIONS ACCOUNT FOR 28.7% PERCENT OF MEXICO STOTAL PUBLIC SECTOR EXTERNAL DEBT.

SURPLUSES, CONTINUE IN TRADE BILANCE AND CURRENT ACCOUNT BUT AT LOWER LEVELS. THAN 1383, AND 1984 MEXICO'S LARGE 1984 TRADE AND CURRENT ACCOUNT SURPLUSES, \$12.8 BILLION AND \$4.0 BILLION RESPECTIVELY, WILL PROBABLY DECREASE IN 1985. FOR THE FIRST QUARTER OF 1985 HER CHANDISE EXPORTS DECLINED BY \$1.14 PERCENT AND THE TRADE BALANCE DECLINED BY 40. PERCENT AS IMPORTS INCREASED BY 39 PERCENT. EVEN SO, THE TRADE SURPLUS WAS STILL A SIZEABLE \$2.4 BILLION. AMONG EXPORTS, PETROLEUM PRODUCTS DECLINED BY 9 PERCENT AND NON-PETROLEUM EXPORTS DECLINED BY 16 PERCENT. DURING THE YEAR CRUDE OF EXPORTS DECLINED BY 16 PERCENT. DURING THE YEAR CRUDE OF EXPORTS ARE EXPECTED TO AVERAGE 11.4 1.5 MILLION BARRELS PER DAY. THE PRICE OF MEXICO'S HEAVY CRUDE, CALLED MAYA, WAS REDUCED BY \$1.50 IN MAY 1985 AND AGAIN BY AN AVERAGE OF 77 CENTS ON JULY 10. THE PRICE OF MEXICO'S LIGHT CRUDE CISTMUS) DECLINED BY AN AVERAGE OF SIZE ON JULY 10. THE PRICE OF MEXICO'S LIGHT CRUDE CISTMUS) PRICE DECREASES WERE ENACTED AFTER THE COUNTRY HAD LOST SALES OF ABOUT 600, 000 BARRELS PER DAY AS FORMER CUSTOMERS TURNED TO SOURCES. IF MEXICO CAN RETURN TO ITS FORMER AVERAGE OF 1.5 MILLION BARRELS OF OIL EXPORTS PER DAY, IT WILL HOLD ITS EXPORT REVENUE LOSS UNCLASSIFIED

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BECAUSE OF THE SULY PRICE ADJUSTMENT TO ABOUT \$275
HILLION FOR 1985. EARLIER PRICE ADJUSTMENTS ARE EXPECTED:
TO RESULT IN A LOSS OF REVENUE FOR THE YEAR OF ABOUT \$600
HILLION: WHEN COMBINED WITH LOSSES DUE TO LOWER EXPORT
VOLUMES THE TOTAL REVENUE LOSSES FOR MEXICO BECAUSE OF
THE MEASURES TAKEN SO FAR IN 1985 WOULD BE ABOUT \$1.8-2
BILLION:

55. MEXICO REGISTERED A CURRENT ACCOUNT SURPLUS OF \$218 MILLION FOR THE JANUARY-MARCH PERIOD. THE IN-BOND INDUSTRIES GENERATED NET RECEIPTS OF \$207 MILLION AND NET

TOURISH RECEIPTS WERE \$306 MILLION (IN SPITE OF THE FACT THAT GROSS TOURISH RECEIPTS WERE DOWN BY 4.4 PERCENT AND TOURIST EXPENDITURES ABROAD WERE UP BY 46 PERCENT).

THE SUBSIDIES AGREEMENT WITH THE UNITED STATES HIGHLIGHTS

A NUMBER OF MAJOR POLICY HOVES IN THE FIRST HALF OF 1985:

S6. IN MAY, MEXICO AND THE UNITED STATES SIGNED A
SUBSIDIES UNDERSTANDING TO PROVIDE MEXICO THE INJURY TEST
IN COUNTERVALLING DUTY CASES. IN TURN, MEXICO AGREED TO
PHASE OUT EXPORT SUBSIDIES BY THE END OF 1986. ANOTHER
MAJOR DEVELOPMENT WAS THE DIMEX PROGRAM WHICH IS INTENDED
TO FACILITATE THE ACQUISITION OF IMPORTS BY EXPORTERS.
UNDER THIS PLAN MEXICAN EXPORTERS WILL BE ALLOWED TO
IMPORT UP TO 30 PERCENT OF THE VALUE OF THEIR EXPORTS
WITHOUT A REQUIREMENT FOR IMPORT LICENSIS PROVIDED THE
IMPORTS ARE NOT ON A RESTRICTED LIST (WHICH COVERS
APPROXIMATELY 900 ARTICLES OR 29 PERCENT OF MEXICO'S
IMPORTS IN 1984). ALL IMPORTS BROUGHT IN UNDER THE
PROGRAM MUST ALSO PAY AT LEAST A MINIMUM TARIFF OF 25

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R 231944Z JUL 85 FM AMEMBASSY MEXICO TO SECSTATE WASHOC 1853 TREASURY WASHOC INFO AMEMBASSY LIMA AMEMBASSY CARACAS AMEMBASSY BRASILIA USCONS MEXICO POUCH

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DEPARTMENT PASS FEDERAL RESERVE BOARD, EXPORT IMPORT BANK, USTR, AND COMMERCE

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PERCENT.

57. EARLY IN 1985 NEW LEGISLATION WAS ENACTED GOVERNING THE ACTIVITIES OF FINANCIAL INSTITUTIONS, INCLUDING THE BANK OF MEXICO. THIS LEGISLATION IS DESIGNED TO ENHANCE THE ROLE OF THE CENTRAL BANK IN FORMULATING MONETARY POLICY AND RESTRICT ITS ROLE IN PROVIDING FINANCING FOR THE PUBLIC SECTOR DEFICIT.

58. IN OTHER MOVES THE GOVERNMENT OF MEXICO HAS COMPLETED THE SALE OF THE SHARES IN NON-STRATEGIC COMPANIES OWNED BY THE NATIONALIZED BANKS. AT THE TIME UNCLASSIFIED UNCLASSIFIED

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OF NATIONALIZATION THE COMMERCIAL BANKS OWNED SIZEABLE NUMBERS OF SHARES IN OTHER COMPANIES. THE VALUE OF THE

SHARES SOLD TOTALED ABOUT 87 BILLION PESOS AND THIS WAS VIEWED AS A POSITIVE DEVELOPMENT TO HELP ENHANCE EFFICIENCY IN THE ECONOMY. SUBSEQUENTLY THE AUTHORITIES ANNOUNCED THAT THE GOVERNMENT WOULD BE SELLING OFF OR DISSOLVING NON STRATEGIC PARASTATALS. TO DATE THERE HAS NOT BEEN A STRONG RECORD OF DEMAND FOR THESE COMPANIES.

THE FOREIGN INVESTMENT CLIMATE REMAINS UNCERTAIN:

59. FOREIGN INVESTMENT IS GENERALLY WELCOME IN MEXICO, EXCEPT IN CERTAIN AREAS RESERVED FOR MEXICAN NATIONALS. IT IS, HOWEVER, SUBJECT TO CLOSE GOVERNMENT SCRUTING AND REGULATION, PARTICULARLY IN CASES OF MAJORITY FOREIGN OWNERSHIP. ALTHOUGH FOREIGN INVESTMENT GREW SIGNIFICANTLY BETWEEN 1950 AND 1981 IT REMAINS A SMALL SHARE OF TOTAL INVESTMENT IN THE ECONOMY. OVER THE PAST TWO YEARS NET FOREIGN INVESTMENT INFLOWS HAVE RISEN MORE SLOWLY THAN DURING THE LATE 1970'S, IN PART BECAUSE OF THE ECONOMIC RECESSION IN THE COUNTRY WHICH LASTED FROM 1982 UNTIL MID 1984.

60. THE RULES GOVERNING FOREIGN INVESTMENT ARE CONTAINED IN THREE LAWS ENACTED DURING THE 1970'S AND THEIR SUBSEQUENT REGULATIONS: THE 1973 LAW TO PROMOTE MEXICAN INVESTMENT AND REGULATE FOREIGN INVESTMENT; THE 1973 TECHNOLOGY TRANSFER LAW: AND THE 1976 LAW ON INVENTIONS AND TRADEMARKS. AT PRESENT, MOST FOREIGN INVESTORS ARE LIMITED TO MINORITY OWNERSHIP WITH EXCEPTIONS BEING GRANTED IN CASES WHERE AUTHORITIES CONSIDER THE INVESTMENT TO BE PARTICULARLY ATTRACTIVE FOR MEXICO, E.G., UNCLASSIFIED

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IMPORTANT TECHNOLOGY TRANSFER, SIGNIFICANT EMPLOYMENT GENERATION, LARGE EXPORT POTENTIAL, AND INDUSTRIAL DIVERSIFICATION. THE CURRENT ADMINISTRATION WHICH WILL BE IN OFFICE UNTIL 1988 HAS STATED IT WILL NOT MAKE ANY SIGNIFICANT CHANGES IN THE LAWS RELATING TO FOREIGN INVESTMENT.

61. BETWEEN 1960 AND 1981 DIRECT FOREIGN INVESTMENT PLAYED A RELATIVELY SMALL ROLE IN MEXICO'S TOTAL EXTERNAL FINANCING REQUIREMENTS WHICH WERE FULFILLED PRINCIPALLY BY BORROWING. FURTHERMORE, ALTHOUGH GON AUTHORIZATIONS

FOR NEW FOREIGN INVESTMENT ROSE IN 1983 AND 1984, NET ANNUAL DIRECT INVESTMENT FLOWS HAVE DECLINED DURING EACH OF THE PAST TWO YEARS, AVERAGING ONLY \$425 MILLION AS COMPARED TO \$996 MILLION DURING THE 1979-82 PERIOD.

62. THE DE LA MADRID ADMINISTRATION HAS PUBLICLY STATED THAT IT WELCOMES FOREIGN INVESTMENT AUTHOUGH CLEARLY IT FAVORS CHANNELING SUCH INVESTMENT INTO CERTAIN AREAS OF THE ECONOMY. IN FEBRUARY 1984 IT ISSUED NEW GUIDELINES FOR FOREIGN INVESTMENT AND SPECIFIED THAT MAJORITY FOREIGN OWNERSHIP WOULD BE ALLOWED IN CERTAIN HIGH PRIORITY SECTORS SUCH AS HEAVY NACHINERY, ELECTRONIC EQUIPMENT, HIGH-TECHNOLOGY PRODUCTS, AND HOTELS. ALSO, NEW TECHNICAL REGULATIONS FACILITATING ADMINISTRATIVE REQUIREMENTS WERE PROMULGATED LINTER IN THE YEAR. NONETHELESS, POTENTIAL INVESTORS WILL CONTINUE TO BE SCREENED CAREFULLY.

THE U.S. DEPARTMENT OF COMMERCE EXPANDS SERVICES TO U.S.

FIRMS DOING BUSINESS IN MEXICO:

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DEPARTMENT PASS FEDERAL RESERVE BOARD. EXPORT IMPORT BANK, USTR, AND COMMERCE

E.O. 12356 N/A Tags: Efin, Econ, Elny, Mx

SUBJECT: MEXICO ECONOMIC TRENDS REPORT, JULY 1985

WITH THE RETURN OF POSITIVE GOR GROWTH IN THE MEXICAN ECONOMY, DEMAND FOR THE COMMERCIAL SERVICES. OFFERED TO UNSTREBUSINESSHEN BURGINEZUNG ZUZSI (ŽIZS) DEPARTMENT OF COMMERCE HAS INCREASED. THE NUMBER OF PUBLIC AND PRIVATE TRADE OPPORTUNITIES SENTETO THE DEPARTMENT OF COMMERCE IN WASHINGTON FOR DISTRIBUTION TO SUBSCRIBERS OF THE TRADE OPPORTUNITY PROGRAM (TOP) WAS UP FROM 410 IN FISCAL 1983 TO 735 IN FISCAL 1984 THE NUMBER OF U.S. FIRMS COUNSELED BY THE COMMERCIAL SECTION WAS UP FROM 1.831 IN FISCAL 1983 TO 2,504 IN FISCAL 1984 AND THE NUMBER OF EOREIGN FIRMS COUNSELED FROM 3,732 IN UNCLASSIFIED UNCLASSIFIED

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FISCAL 1983 TO 11.325 IN FISCAL 1984. U.S. EXPORTS TO MEXICO INCREASED IN 1984 FOR THE FIRST YEAR SINCE THE

1982 CRISIS. LEADING U.S. NON-IGRICULTURAL EXPORTS TO MEXICO INCLUDE REPLACEMENT PARTS FOR GASOLINE ENGINES AND ELECTRIC MOTORS: RADIO, TELEGRAPHICS AND TELEPHONIC EQUIPMENT: STYRENE AND ARTICLES OF RUBBER AND PLASTIC; ELECTRONIC COMPONENTS: AND GENERAL MERCHANDISE NOT MANUFACTURED IN MEXICO. EMPHAS S ON THE FOLLOWING SECTORS IS PARTEOF THE NATIONAL DEVELOPMENT PLAN: TELECONHUNICATIONS, METAL AND HITAL PROCESSING, ENVIRONMENTAL CONTROL. COMPUTER TECHNOLOGY, INDUSTRIAL PORT DEVELOPMENT, FOOD PROCESSING AND PACKAGING, AND HOME CONSTRUCTION.

A COMMERCIAL OFFICE IN THE AMER CAN CONSULATE IN GUADALAJARA, AN IMPORTANT INDUSTRIAL AREA ESPECIALLY WITH ITS INCREASED ACTIVITY IN ELECTIONICS. THIS OFFICE IS STAFFED BY ONE AMERICAN AND THREE MEXICAN COMMERCIAL SPECIALISTS. THE U.S. DEPARTMENT OF COMMERCE INTENOS TO PLACE AN AMERICAN COMMERCIAL OFFICER IN THE U.S. CONSULATE IN MONTERREY IN 1985. THE NEW MONTERREY COMMERCIAL OFFICER EXPANDED COMMERCIAL SERVICES FOR THE ENTIRE MORTHEAST REGION OF MEXICO. BOTH THE GUADALAJARA AND MONTERREY OFFICES WILL BE PREPARED TO OFFICE COMPLETE COMMERCIAL SERVICES AND WELCOME THE OPPORTUNITY TO SERVE U.S. BUSINESS INTERESTS.

65. FOR U.S. FIRMS OR THEIR MEXICAN SUBSIDIARIES, THE UNITED STATES TRADE CENTER, LOCATED IN THE HEART OF MEXICO'S FINANCIAL AND BUSINESS DISTRICT, IS PLANNING A FULL SCHEDULE OF EXHIBITIONS TO PROHOTE U.S. PRODUCTS AND TECHNOLOGY. WITH ONLY A LINITED AMOUNT OF FOREIGN UNCLASSIFIED

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EXCHANGE AVAILABLE FOR TRAVEL, MEXICAN BUTERS HAVE BEEN ATTENDING U.S. TRADE CENTER SHOWS IN RECORD NUMBERS. EXHIBITIONS TO BE HELD AT THE TRADE CENTER IN 1985 INCLUDE THE FOLLOWING: MINING EQUIPMENT, FEB. 19-22; ELECTRIC COMPONENTS AND ACCESSORIES, MARCH 19-21; EDUCATIONAL AND TRAINING EQUIPMENT, APRIL 23-26; COMMUNICATIONS, MERCHANDISE HANDLING, AND TRANSPORTATION EQUIPMENT FOR PORTS AND AIRPORTS, MAY 14-17; COMPUTERS, PERIPHERALS, AND SOFTWARE, JUNE 4-7; CHENICAL PRODUCTS FOR AGRICULTURE AND INDUSTRY, JULY 16-18; FIRE, SECURITY AND SAFETY EQUIPMENT, AUGUST 6-9; INDUSTRIAL PROCESSING

CONTROLS, SEPT. 24-26: AGRICULTURAL AND LIVESTOCK EQUIPMENT AND MACHINERY, NOV. 21-25 (GUADALAUARA); AND, LASTLY, AN EXHIBITION FOR U.S. FIRMS OF ALL TYPES SEEKING REPRESENTATION IN THE MEXICAN MARKET, DEC. 3-5.

66. FOR INFORMATION ON ANY OF THE ABOVE PROMOTIONS, PLEASE CONTACT THE SHOW PROMOTION OF ICER, U.S. TRADE CENTER, LIVERPOOL #31, MEXICO, D.F. MEXICO TELEPHONE (905)591-0155, FOR INFORMATION ON COMMERCIAL SERVICES TO U.S. BUSINESSMEN, CONTACT THE COMMERCIAL ATTACHE, AMERICAN EMBASSY, MEXICO, REFORMA 305, MEXICO, D.F., MEXICO TELEPHONE (905)211-0042. DRAFTED BY J.P.FELT AND J.V.SWEENEY. GAVIN

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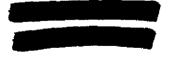
TAGS: ECON, EGEN, MX

SUBJECT: COMMENTS ON THE DEBT PROBLEM IN THE WAKE OF THE

EARTHQUAKE

(C) SUMMARY: IN THE AFTERMATH OF THE RECENT EARTHQUAKES THAT DESTROYED OR DAMAGED LARGE SECTIONS OF DOWNTOWN MEXICO CITY, GOM OFFICIALS AND OTHER PUBLIC FIGURES HAVE MADE NUMEROUS COMMENTS TO THE PRESS LINKING MEXICO'S EXTERNAL DEBT PROBLEMS WITH THEIR RECONSTRUCTION THE CENTRAL THREAD IN MOST OF THE INTERVIEWS EFFORTS. IS THAT MEXICO NEEDS TO DIVERT FUNDS FROM ITS EXTERNAL DEBT SERVICE IN ORDER TO REBUILD THE CITY AND REVITALIZE THE ECONOMY. SOME INDIVIDUALS ARE CALLING FOR A MORATORIUM ON DEBT PAYMENTS RANGING FROM SEVERAL MONTHS TO SEVERAL YEARS. EVEN WITH THESE COMMENTS, HOWEVER, THE OFFICIAL POSITION OF THE GOVERNMENT IS THAT MEXICO WILL CONTINUE TO HONOR ITS EXTERNAL DEBT OBLIGATIONS ALTHOUGH FURTHER NEGOTIATIONS ON THE TERMS MAY BE REOUIRED. END SUMMARY.

2. (U) EVEN BEFORE THE EARTHQUAKE, PRESIDENT DE LA



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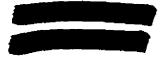
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MADRID (MMH) WAS CALLING FOR A PRAGMATIC REASSESSMENT OF LATIN AMERICA'S DEBT PROBLEMS FROM INTERNATIONAL FINANCIAL TIONS. IN PREPARING FOR HIS SPEECH TO THE UNITED NATIONS -- WHICH WAS ACTUALLY DELIVERED BY FOREIGN MINISTER BERNARDO SEPULVEDA -- MMH SAID THAT MEXICO ASSUMED RESPONSIBILITY FOR ITS DEBTS, BUT THAT CREDITORS MUST REALIZE THAT DEBTOR COUNTRIES WERE RUNNING OUT OF OPTIONS. THIS MAY HAVE BEEN A PRELUDE FOR A REQUEST FOR FURTHER RENEGOTIATION OF MEXICO'S FOREIGN DEBT.



- (U) SEPULVEDA, SPEAKING TO THE UNITED NATIONAL GENERAL ASSEMBLY AFTER THE TRAGIC EARTHOUAKE, WAS MORE EXPLICIT. LATIN AMERICA HAS NOW REACHED AN UNTENABLE ECONOMIC SITUATION CAUSED BY PROTECTIONISM AND HIGH INTEREST RATES. THESE, HE CLAIMED, HAVE CAUSED LA'S DEBT TO GROW AND CREATED OBSTACLES TO FURTHER DEVELOPMENT. SEPULVEDA BLAMES THESE ILLS IN LARGE PART ON THE LACK OF "FINANCIAL ALTERNATIVES", AND ON THE INABILITY OF DEBTOR NATIONS TO EXPORT BOTH THEIR MANUFACTURED AND PRIMARY PRODUCTS. HE ASKED THE INTERNATIONAL COMMUNITY FOR A NEW ATTITUDE TOWARDS DEBTOR COUNTRIES AND A NEW ECONOMIC MODEL THAT WOULD REACTIVATE GROWTH AND TRADE. SEPULVEDA SAID THAT MEXICO DEMANDS A POLITICAL DIALOGUE TO ALLEVIATE THE INJUSTICES THAT DEVELOPING NATIONS LIVE WITH, SUCH AS THE FACT THAT OVER 50 PERCENT OF MEXICO'S FOREIGN EXPORT EARNINGS GO TO SERVICE EXTERNAL DEBT.
- (U) OTHER GOVERNMENT AND NON-GOVERNMENT MEXICAN OFFICIALS QUOTED IN THE PRESS ARE AS FOLLOWS:
- -- SENATOR ANTONIO RIVA PALACIO, PRESIDENT OF THE SENATE OF THE REPUBLIC: ACCORDING TO THE SENATE, MEXICO DOES TAKE RESPONSIBILITY FOR ITS DEBT, BUT THE ABILITY TO PAY



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DEPENDS ON THE CIRCUMSTANCES OF THE MOMENT. HE CLAIMS THAT MEXICO'S ABILITY TO REPAY WILL DEPEND ON THE COST OF RECONSTRUCTION.

-- SILVESTRE FERNANDEZ, PRESIDENT OF THE CONFEDERACION NACIONAL DE CAMERAS INDUSTRIALS (N): IT IS TO MEXICO'S ADVANTAGE TO ACCEPT THE OPPORTUNITY OF THE

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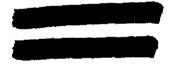
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DISASTER TO A) GET FRESH EXTERNAL CREDITS TO REVITALIZE
THE ECONOMY AND BEGIN RECONSTRUCTION, AND B) TEMPORARILY
CANCEL PAYMENT OF THE DEBT. NEGOTIATIONS WITH THE IMF
NOW, HE SAYS, WILL MEAN A RESUSCITATION OF THE ECONOMY
WITH LOWER INTEREST RATES AND MORE FLEXIBLE REPAYMENT
TERMS.

- -- CARLOS MIRELAS GARCIA, PRESIDENT OF CAMARA NACIONAL DE LA INDUSTRIA DE LA TRANSFORMACION (CANACINTRA): ASKS FOR A ONE YEAR GRACE IN DEBT PAYMENTS. THE APPROXIMATELY \$13 BILLION DOLLARS WOULD BE CHANNELED INTO THE RECONSTRUCTION EFFORTS IN THE FEDERAL DISTRICT.
- -- EL COMITE CENTRAL DEL PARTIDO SOCIALISTA UNIFICADO DE MEXICO (PSUM): THE COMMITTEE REITERATED THAT THE GOVERNMENT CANNOT MAKE THE NECESSARY INVESTMENT IN CONSTRUCTION AT THIS TIME, AND CALLED FOR A MORATORIUM ON DEBT PAYMENTS OF AT LEAST ONE YEAR.
- -- JOSE GONZALEZ BAILO, DIRECTOR OF CAMARA NACIONAL DE COMERCIO (CONACO): MEXICO NEEDS SEVERAL YEARS OF GRACE ON ITS DEBT PAYMENTS AND NEEDS NEW LOANS ON TERMS WHICH ARE SUPER-EASY OR SUPER-FLEXIBLE. HE SUPPORTED LIBERALIZED TRADE AND MEXICO'S ENTRY INTO GATT AS MEANS OF A QUICKER RECOVERY.
- -- SILVERIO R. ALVARADO, SECRETARY OF THE COMISION ECONOMICA DEL CONGRESO DEL TRABAJO (CTM): DEFERMENT OF



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C O N F I D E N T I A L SECTION 02 OF 02 MEXICO 20772

E.O. 12356: OADR

TAGS: ECON, EGEN, MX

SUBJECT: COMMENTS ON THE DEBT PROBLEM IN THE WAKE OF THE

MEXICO'S DEBT BY THE INTERNATIONAL FINANCIAL COMMUNITY IS INSUFFICIENT. MORE "JUST" FINANCIAL CONDITIONS FOR THE MEDIUM AND LONG TERM WOULD BE MORE HELPFUL THAN A SHORT-TERM PALIATIVE. HE BLAMED THE DEBT PROBLEM ON EXCESSIVE PROTECTIONISM, LOWER PRICES OF PRIMARY GOODS, AND A DECLINE IN TRADE. THE BEST CURE FOR MEXICO, ON THE OTHER HAND, IS INCREASED PROTECTION FOR ITS INDUSTRIES AND HIGHER PRICES ABROAD FOR MEXICAN GOODS.

5. (U) IN ADDITION TO COMMENTS FROM MEXICAN GOVERNMENT, PRIVATE SECTOR, AND LABOR OFFICIALS, ACADEMIC ORGANIZATIONS HAVE ISSUED STATEMENTS ON MEXICO'S EXTERNAL DEBT AFTER THE EARTHQUAKE. SPOKESMEN FOR THE COLEGIO NACIONAL DE ECONOMISTAS (CNE), CENTRO DE ESTADO DE LA ECONOMIA NACIONAL (CEEN), AND THE INSTITUTO DE INVESTIGACIONES ECONOMICAS DE UNAM SAY THAT MEXICO NEEDS 12-18 MONTHS OF SUSPENDED PAYMENTS TO REACTIVATE MEXICO'S ECONOMY. FURTHERMORE, A STABLE EXCHANGE RATE VIS-A-VIS

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MEXICO 20772 02 OF 02 0222392

THE DOLLAR WOULD HELP.

- 6. (U) ONE ORGAN THAT HAS SPOKEN OUT AGAINST A PARTIAL OR FULL MORATORIUM ON DEBT IS THE BUSINESSMEN'S GROUP CARIENTA, CAMARA REGIONAL DE LA INDUSTRIA DE TRANSFORMACIONES, IN GUADALAJARA. THE PRESIDENT OF CARIENTA, JORGE ARTURO TORRES CARLOS, SAYS THAT PRECIPITIOUS ACTS MAY DAMAGE THE ECONOMY. HIS ORGANIZATION WOULD RATHER SEE ANOTHER RENEGOTIATION OF THE DEBT RATHER THAN A SUSPENSION OR CANCELLATION OF PAYMENTS.
- 7. (C) EMBASSY COMMENT: THE GOM VERY LIKELY WILL TRY TO TURN INTERNATIONAL SYMPATHY TO ITS ADVANTAGE IN FINANCIAL NEGOTIATIONS. ABSTRACTING FROM IRREPLACEABLE LOSSES OF HUMAN LIFE, THE MEXICO CITY EARTHQUAKE OF 1985 MAY PROVIDE

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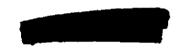
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AT LEAST A TEMPORARY RESPITE FROM RISING INTERNATIONAL PRESSURE TO SUBSTANTIALLY REDUCE INFLATION AND THE PUBLIC SECTOR DEFICIT. AND TO STRENGTHEN THE BALANCE OF INTERNATIONAL AID, ALONG WITH NEW LOANS FROM PAYMENTS. COMMERCIAL BANKS AND A LIGHTENING OF EXTERNAL DEBT PAYMENTS COULD MEAN THAT THE MEXICAN ECONOMY WILL GROW MODERATELY FASTER OVER THE SHORT TERM THAN PRE-EARTHQUAKE PROJECTIONS INDICATED. IT IS UNLIKELY, HOWEVER, THAT THE COUNTRY'S EXTERNAL CREDITORS COULD SANCTION ANY EASING OF LONG-TERM ECONOMIC ADJUSTMENT EFFORTS BECAUSE OF THE EARTHQUAKE; CREDITORS WILL TRY TO KEEP THE IMMEDIATE RECONSTRUCTION EFFORTS SEPARATE FROM THE COUNTRY'S LONGER TERM DEBT PROBLEMS. (DRAFTED:DSTALLINGS)



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MEXICO 21020

DEPARTMENT PASS FEDERAL RESERVE BOARD, EXPORT IMPORT BANK, USTR, AND COMMERCE

E.O. 12356: DECL: 10/4/91

TAGS: EFIN, ECON, MX

SUBJECT: STRENGTHENING OF THE PESO SINCE THE EARTHQUAKES

- ENTIRE TEXT CONFIDENTIAL
- 2. SUMMARY. SINCE THE SEPTEMBER 19 AND 20 EARTHQUAKES IN MEXICO CITY THE PESO HAS STRENGTHENED BY ABOUT 4 PERCENT AT THE BANKS AND EXCHANGE HOUSES IN MEXICO CITY. FURTHERMORE, THE DIFFERENCE BETWEEN THE CONTROLLED AND FREE RATES HAS DECLINED FROM 29 PERCENT TO SLIGHTLY LESS THAN 20 PERCENT. END SUMMARY.
- 3. OVER THE PAST TWO WEEKS THE PESO EXCHANGE RATE HAS PROGRESSIVELY STRENGTHENED IN THE WAKE OF THE EARTHQUAKES

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IN MEXICO CITY. EMBASSY BELIEVES THERE ARE A NUMBER OF REASONS FOR THIS:

- -- A WIDESPREAD FEELING OF PATRIOTISM AND A BELIEF AMONG INDIVIDUALS AND COMPANIES THAT NO ADDITIONAL PRESSURES SHOULD BE PUT ON THE COUNTRY DUIRNG TIMES OF DISASTER.
- -- A GROWING BELIEF THAT ECONOMIC ACTIVITY WILL NOW PICK UP WITH THE RELIEF AND RECONSTRUCTION EFFORTS.
- PEOPLE SEEM TO BE CONVINCED THAT A LOT OF BILATERALTLILATERAL AID WILL BE FLOWING INTO THE COUNTRY OVER THE NEXT 18 MONTHS AND THIS WILL INCREASE THE AVAILABILITY OF FOREIGN EXCHANGE.
- -- A FEELING THAT CREDITOR COUNTRIES AND BANKS WILL NOW BE MORE SYMPATHETIC AND FLEXIBLE ON THE FOREIGN DEBT PROBLEM.
- NEWS THAT ANNOUNCEMENTS WILL SOON BE COMING OUT, PERHAPS AT THE FUND/BANK MEETINGS IN SEOUL, OF NEW INTERNATIONAL PROGRAMS TO HELP DEBTOR COUNTRIES.
- -- A GROWING BELIEF THAT MEXICO IS SERIOUSLY INTENDING TO NEGOTIATE ANOTHER AGREEMENT WITH THE IMF.
- -- POSTPONEMENT BY MEXICO'S CREDITOR BANKS OF \$950 MILLION DUE THIS YEAR IN AMORTIZATION PAYMENTS.
- -- FEAR OF RETALIATION FROM THE GOVERNMENT FOR BEING CAUGHT TAKING MONEY OUT OF THE COUNTRY AT SUCH A CRITICAL



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4. BOTH AT THE BANKS AND THE PRIVATE EXCHANGE HOUSES IN MEXICO CITY THE PESO HAS STRENGTHENED BY ABOUT 4 PERCENT VIS A VIS THE DOLLAR OVER THE PAST 14 DAYS. COMMUNICATION WITH THE BORDER HAS BEEN EXTREMELY DIFFICULT BUT IT IS OUR UNDERSTANDING THAT THE PESO IS ALSO STRENGTHENING AT THE FRONTIER BANKS. EVEN MORE

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SIGNIFICANTLY, THE DIFFERENCE BETWEEN THE CONTROLLED RATE AND THE FREE RATE HAS FALLEN FROM 29 TO 19.5 PERCENT OVER THE PAST TWO WEEKS. MANY ANALYSTS BELIEVE THAT WHEN THE DIFFERENCE BETWEEN THE TWO RATES IS LESS THAN 20 PERCENT THIS FACILITATES EXCHANGE RATE MANAGEMENT.

WE DO NOT EXPECT THE PESO TO STRENGTHEN MUCH FURTHER OVER THE SHORT TERM AND IT IS DIFFICULT TO JUDGE AS TO WHEN SPECULATIVE PRESSURES AGAINST THE PESO COULD BEGIN TO INCREASE AGAIN. BASED ON PURCHASING POWER PARITY ANALYSIS, THE CONTROLLED RATE REMAINS SOMEWHAT UNDER-VALUED AND THE FREE RATE CONSIDERABLY UNDERVALUED (BY AS MUCH AS 25-30 PERCENT). AS BEST WE CAN TELL, THE BANK OF MEXICO IS NOT INTERVN THE FOREIGN EXCHANGE MARKETS TO ANY SIGNIFICANT DEGREE. DRAFTED BY J.V. SWEENEY. GAVIN

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STATE FOR INM . ARA/MEX AND AID

E.O. 12356:N/A TAGS: SNAR. MX

REVISED INTERNATIONAL NARCOTICS CONTROL

STRATEGY REPORT (INCSR). MEXICO 1988

B) 87 MEXICO 25861 REFS: A) STATE 2404

FOLLOWING IS THIS EMBASSY'S REVISED 1988 ANNUAL EMBASSY WILL SEND THIS DOCUMENT TO DEPARTMENT (INM) ON A DISKETTE VIA EXPRESS MAIL.

STATUS OF ILLICIT NARCOTICS PRODUCTION AND A.1. TRAFFICKING:

MEXICO IS A MAJOR PRODUCER OF MARIJUANA AND OPIUM POPPY AND A PRIMARY SOURCE OF THE HEROIN AND MARIJUANA MEXICO HAS ALSO BECOME AVAILABLE IN THE UNITED STATES. AN IMPORTANT TRANSIT COUNTRY FOR NARCOTICS. ESPECIALLY THE NATIONAL NARCOTICS FOR SOUTH AMERICAN COCAINE. INTELLIGENCE CONSUMERS COMMITTEE ESTIMATES THAT. IN UNCLASSIFIED UNCLASSIFIED

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1986, IMPORTS FROM MEXICO TOTALED 3,000 TO 4,000 METRIC

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TONS OF MARIJUANA AND 2.8 METRIC TONS OF HEROIN.

- MEXICO HAS MAINTAINED A FIRM COMMITMENT TO ERADICATE ILLICIT DRUG CROPS IN 1987. MEXICO'S NARCOTICS CONTROL PROGRAM INCLUDES AERIAL AND MANUAL ERADICATION ACTIVITIES. INTERDICTION OF NARCOTICS SHIPMENTS. BILATERAL LAW ENFORCEMENT AND MUTUAL LEGAL ASSISTANCE DIRECTED AT UNDERHINING THE TRAFFICKERS. MILITARY INVOLVEMENT IN NARCOTICS ERADICATION. AND EFFORTS TO INCREASE PUBLIC AWARENESS OF THE SERIOUS THREAT POSED TO SOCIETY BY TRAFFICKERS AND DRUG ABUSE. GOM LAW ENFORCEMENT AGENCIES HAVE COOPERATED ON MANY OCCASIONS WITH DEA. US CUSTOMS AND OTHER USG AGENCIES THEY HAVE USED DEA-PROVIDED INFORMATION TO IN 1987. VERIFY THE LOCATIONS OF AND DESTROY LARGE MARIJUANA AND OPIUM PLANTATIONS IN VARIOUS MEXICAN STATES. EXAMPLE. ON JUNE 2. THE PGR RAIDED AND DESTROYED AN 80 HECTARE MARIJUANA FARM. THE LARGEST ILLEGAL DRUG OPERATION EVER DISCOVERED IN THE STATE OF SONORA.
- THE GOM'S PERMANENT CAMPAIGN AGAINST NARCOTICS TRAFFICKING IS ADMINISTERED BY THE ATTORNEY GENERAL'S OFFICE (PROCURADURIA GENERAL DE LA REPUBLICA PGR). THE AERIAL ERADICATION PROGRAM REPRESENTS THE SINGLE MOST EFFECTIVE MEANS OF LESSENING THE AVAILABILITY OF DRUGS IN THE UNITED STATES AND MEXICO. THE PGR HAS INCREASED THE SIZE OF ITS FLEET OF ERADICATION AIRCRAFT AND TAKEN IMPORTANT MEASURES TO IMPROVE THE EFFICIENCY OF ITS ANTI-NARCOTICS OPERATIONS IN 1987. DESPITE SEVERE DOMESTIC ECONOMIC PROBLEMS, THE GOM HAS DEDICATED AN INCREASINGLY LARGE PERCENTAGE OF ITS BUDGET TO COMBAT NARCOTICS TRAFFICKING. THE PGR BUDGET UNCLASSIFIED

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FOR DRUG ERADICATION PROGRAMS HAS JUMPED FROM USD 15.9 MILLION IN 1984 TO USD 18.1 MILLION IN 1987. THE PGR ERADICATED MORE HECTARES (2.47 ACRES PER HECTARE) OF OPIUM POPPY AND MARIJUANA IN 1986 AND 1987 THAN IT HAD IN 1985 OR 1984.

THE MEXICAN MILITARY HAS BECOME INCREASINGLY INVOLVED IN NARCOTICS ERADICATION AND INTERDICTION. THE MEXICAN ARMY REPORTED IT HAD MANUALLY ERADICATED 6,028 HECTARES OF OPIUM POPPY AND 10,000 HECTARES OF



MARIJUANA DURING THE FIRST TEN MONTHS OF 1987. THE US EMBASSY IN MEXICO IS UNABLE TO VERIFY THE MILITARY'S CLAIMS. MORE THAN 25,000 ARMY PERSONNEL (25 PERCENT OF TOTAL TROOPS) ARE ENGAGED FULL-TIME IN MANUAL ERADICATION OPERATIONS. THERE WERE PERIODS BOTH IN 1986 AND 1987 WHEN UP TO 50,000 TROOPS WERE EMPLOYED AT ONE TIME IN SPECIAL ANTI-NARCOTICS CAMPAIGNS. MEXICAN HILITARY PURCHASED 12 NEW HELICOPTERS IN 1987 TO TRANSPORT TROOPS ENGAGED IN ANTI-NARCOTICS EFFORTS. THE MEXICAN ARMY HAS MOUNTED SEVERAL JOINT OPERATIONS WITH THE PGR TO DESTROY DRUG FIELDS IN THE STATES OF MICHOACAN. GUERRERO AND OAXACA. SINCE OCTOBER OF 1986. THE MEXICAN NAVY HAS BEEN EXTREMELY COOPERATIVE IN WORKING WITH THE US COAST GUARD AND OTHER USG AGENCIES TO CARRY OUT ANTI-DRUG EFFORTS AS WELL AS IN LAUNCHING INTERDICTION OPERATIONS AGAINST SUSPECTED DRUG SMUGGLERS OPERATING IN MEXICAN TERRITORIAL WATERS. MEXICAN NAVY REPORTED IT DESTROYED 125 HECTARES OF MARIJUANA AND CONFISCATED 1.928 KILOS OF COCAINE FROM JANUARY-OCTOBER 1987.

- MEXICO WILL CONTINUE TO BE A MAJOR PRODUCER OF ILLICIT NARCOTICS FOR THE FORESEEABLE FUTURE. ITS 2.000 MILE BORDER WITH THE UNITED STATES MAKES IT A





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JNCLAS SECTION 02 OF 12 MEXICO 01141

STATE FOR INM . ARA/MEX AND AID

E.O. 12356:N/A TAGS: SNAR. MX

SUBJECT: REVISED INTERNATIONAL NARCOTICS CONTROL

VATURAL POINT OF ORIGIN AND TRANSHIPMENT FOR DRUGS
INTO THE US MARKET. DOMESTIC ECONOMIC PROBLEMS
INCLUDING WIDESPREAD RURAL POVERTY, HIGH RATES OF
UNEMPLOYMENT AND LACK OF JOB OPPORTUNITIES HAVE CREATED
CONDITIONS PERMITTING TRAFFICKERS TO CO-OPT FARMERS
INTO GROWING ILLEGAL NARCOTICS CROPS. FINANCIAL
REWARDS FROM A DRUG CROP FAR SURPASS THOSE TO BE
DERIVED FROM LEGITIMATE CROPS. PROVIDING POOR FARMERS A
SUFFER AGAINST ECONOMIC CRISIS. TRAFFICKERS ALSO
PROVIDE PEASANT GROWERS WITH CREDIT, AND PAY IN FULL
AFTER THE HARVEST. THESE ECONOMIC REALITIES MAKE IT
DIFFICULT TO CONVINCE FARMERS TO RESIST PRESSURES TO
GROW ILLICIT CROPS.

- SOME SENIOR MEXICAN OFFICIALS RECOGNIZE THAT THE GROWING INFLUENCE OF NARCOTICS TRAFFICKING ORGANIZATIONS POSES A THREAT TO GOVERNMENT AUTHORITY. UNCLASSIFIED UNCLASSIFIED

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IN NOVEMBER 1987, INSTITUTIONAL REVOLUTIONARY PARTY (PRI) PRESIDENTIAL CANDIDATE CARLOS SALINAS DE GORTARI

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STATED THAT DEFEATING NARCOTICS TRAFFICKING IS A NATIONAL PRIORITY. THE DECISIVE SUPPRESSION OF DRUG TRAFFICKING. HE SAID. WAS NECESSARY NOT ONLY TO AVOID UNDESTREABLE DRUG CONSUMPTION IN OTHER NATIONS BUT TO AVOID THE TRANSFORMATION OF MEXICO FROM A TRANSIT AND PRODUCER COUNTRY TO ONE THAT CONSUMES DRUGS. DECEMBER. THE PRESIDENT OF THE MEXICAN SUPREME COURT DENOUNCED NARCOTICS TRAFFICKING AS A FACTOR IN SOCIAL AND POLITICAL INSTABILITY. THE MEXICAN LEADERS' REMARKS ARE SIGNS OF GREATER RECOGNITION BY THE GOM THAT FIGHTING NARCOTICS PROMOTES MEXICAN INTERESTS. AND NOT JUST THOSE OF THE UNITED STATES AND OTHER DEVELOPED HOWEVER, MANY MEXICAN OFFICIALS CONTINUE TO COUNTRIES. ARGUE THAT DRUG CONSUMPTION IN THE UNITED STATES AND OTHER DEVELOPED NATIONS FUELS DRUG PRODUCTION IN MEXICO. IT WILL ONLY DECREASE. THEY CLAIM. AFTER THE USG REDUCES DRUG ABUSE AMONG ITS OWN CITIZENS. THE MEDIA NOR THE GENERAL PUBLIC SEEM YET TO BE FULLY AWARE OF THE MAGNITUDE OF THE THREAT TO MEXICO POSED BY NARCOTICS TRAFFICKING ORGANIZATIONS IN MEXICO HAVE TRADITIONALLY EXERTED STRONG. BUT DIRECTED RATHER THAN GENERALIZED. INFLUENCE IN REGIONS WHERE THEY OPERATE. THEY SEEM TO FOCUS MOST OF THEIR EFFORTS TOWARD LAW ENFORCEMENT OFFICIALS AND THEIR SUPERVISORS. IN OCTOBER. FOR EXAMPLE. THE CHIHUAHUA STATE ATTORNEY GENERAL ANNOUNCED THAT HIS OFFICE HAD BEGUN INVESTIGATIONS INTO THE ALLEGED INVOLVEMENT OF FIVE MUNICIPAL PRESIDENTS IN NARCOTICS ACTIVITIES. POLITICAL INFLUENCE OF THE DRUG TRAFFICKERS HAS CONSEQUENCES FAR BEYOND THE NARCOTICS INDUSTRY. VARIOUS STATES. DRUG MONEY BOLSTERS WEAK ECONOMIES BY UNCLASSIFIED **UNCLASSIFIED**

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PROVIDING INVESTMENT CAPITAL AND EMPLOYMENT, THEREBY DISCOURAGING SERIOUS GOVERNMENT CRACKDOWNS AGAINST TRAFFICKING.

THE EMERGENCE OF NARCOTERRORISM IS POSSIBLE IN RURAL AREAS BECAUSE OF THE GENERAL UNPREPAREONESS OF LOCAL POLICE AND THE ISOLATION OF MANY MARIJUANA AND POPPY FIELDS. NARCOTERRORISM DOES NOT EXIST IN THE TRADITIONAL SENSE OF ALLIANCE WITH LEFTIST GUERRILLAS. IT DOES EXIST, HOWEVER, IN THE FORM OF VIOLENCE AGAINST POLICE AND RIVAL TRAFFICKERS. SOME NARCOTICS

TRAFFICKERS UNDOUBTEDLY EMPLOY RUTHLESS TACTICS TO DISCOURAGE THOSE WHO WOULD LIKE TO PUT THEM OUT OF BUSINESS. ON OCCASION, TRAFFICKERS HAVE MASSACRED MEXICAN POLICE WHO DISCOVERED IMPORTANT NARCOTICS OPERATIONS. DRUG-RELATED RURAL VIOLENCE ALSO ERUPTS SPORADICALLY WHEN PEASANT FARMERS QUARREL OVER CULTIVATION RIGHTS.

CORRUPTION. OF COURSE. EXISTS IN THE MEXICAN GOVERNMENT BUREAUCRACY AND MANY CORRUPT OFFICIALS CORRUPTION. HOWEVER. REMAIN FREE FROM PROSECUTION. EXISTS WHEREVER DRUG TRAFFICKERS OPERATE. WHETHER IN MEXICO, BOLIVIA, PERU, OR THE UNITED STATES. THE SUCCESS OF THE TRAFFICKERS DEPENDS IN LARGE PART UPON THEIR ABILITY TO CORRUPT THE SYSTEM. OFFICIAL PROTECTION OF NARCOTICS INTERESTS BY SOME MEXICAN STATE GOVERNMENT AND LAW ENFORCEMENT OFFICIALS HOULD NOT EXIST WITHOUT SOME TOLERANCE FROM ABOVE. PROTECTION OF NARCOTICS ACTIVITIES RANGES FROM SIMPLY LOOKING THE OTHER WAY TO FACILITATING SAFE PASSAGE OF DRUGS THROUGH CUSTOMS OR MILITARY/POLICE CHECKPOINTS. THE GOM HAS INTENSIFIED ITS EFFORTS TO COMBAT NARCOTICS





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UNCLAS SECTION 03 OF 12 MEXICO 01141

STATE FOR INM . ARA/MEX AND AID

E.O. 12356:N/A TAGS: SNAR, MX

SUBJECT: REVISED INTERNATIONAL NARCOTICS CONTROL

CORRUPTION. IT IS UNREASONABLE TO EXPECT THE GOVERNMENT BY ITSELF TO ELIMINATE IT UNLESS THERE IS A CHANGE IN SOCIETAL ATTITUDES TOWARDS CORRUPT PRACTICES - AN ADMITTEDLY LONG-TERM PROCESS.

THE DE LA MADRID ADMINISTRATION HAS DEVELOPED SOME INSTITUTIONAL MEASURES TO CURB CORRUPTION BY GOVERNMENT OFFICIALS. IT CREATED A COMPTROLLER GENERAL'S OFFICE TO OVERSEE THE CONDUCT OF GOVERNMENT EMPLOYEES AND ESTABLISHED COMPTROLLER OFFICES IN VARIOUS GOVERNMENT AGENCIES TO RECEIVE COMPLAINTS. A NEW CODE OF PUBLIC ETHICS WAS PROMULGATED WHICH REQUIRES GOVERNMENT OFFICIALS MAKING FOUR TIMES THE MINIMUM WAGE TO FILE ANNUAL DECLARATIONS OF THEIR ASSETS, AND PROHIBITS NEPOTISM, ABUSE OF PRIVILEDGED INFORMATION, CONFLICTS OF INTEREST AND THE ACCEPTANCE OF VALUABLE GIFTS. THESE MEASURES HAVE PROBABLY CURBED UNCLASSIFIED

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SOME ABUSES, ESPECIALLY COMPARED TO THE EXCESSES WHICH WERE COMMONPLACE DURING THE PAST TWO ADMINISTRATIONS.

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THE ARREST AND CONVICTION OF FORMER PEMEX CHIEF AND SENATOR, JORGE DIAZ SERRANO, ON CHARGES OF EMBEZZLING MILLIONS OF DOLLARS OF GOVERNMENT FUNDS AND THE 1984 EXTRADICTION FROM THE U.S. OF FORMER MEXICO CITY POLICE CHIEF. ARTURO DURAZO MORENO. FOR EXTORTION AND ILLEGAL WEAPONS POSSESSION CONSTITUTE THE TWO MOST PROMINENT ACCOMPLISHMENTS OF DE LA MADRID'S ANTI-CORRUPTION CAMPAIGN. THESE THO HIGHLY VISIBLE CASES CONSTITUTE A CERTAIN DETERRENT AGAINST BLATANT ACTS OF CORRUPTION.

- NO FIGURES ARE AVAILABLE ON THE EXTENT OF MONEY LAUNDERING IN MEXICO. MEXICAN BANKS. ALL BUT TWO OF WHICH ARE NATIONALIZED. DO NOT PROVIDE INFORMATION TO THE USG ON THEIR ACTIVITIES. BANKING IN MEXICO IS NOT VIEWED AS ATTRACTIVE FOR LARGE SCALE HONEY LAUNDERING DUE TO THE DIFFERENCE IN THE PESO AND THE DOLLAR AND EXTREME FLUCTUATIONS IN THE EXCHANGE RATE. HOWEVER. THERE IS REASON TO BELIEVE THE POTENTIAL EXISTS FOR EXTENSIVE MONEY LAUNDERING OF NARCOTICS PROFITS THROUGH INVESTMENT IN LEGITIMATE BUSINESSES AND BECAUSE OF EXTENSIVE TRADE AND FINANCIAL TIES BETWEEN THE U.S. AND MEXICO. SOUTH AMERICAN TRAFFICKERS ARE EXPECTED TO MAKE GREATER USE OF MEXICAN FINANCIAL INSTITUTIONS TO LAUNDER PROFITS FROM DRUG SHIPMENTS WHICH ENTER THE U.S. THROUGH MEXICO.
- THE MEXICAN GOVERNMENT IS AWARE OF THE MONEY-LAUNDERING PROBLEM. MEXICAN LAW ENFORCEMENT OFFICIALS RECENTLY ARRESTED A NUMBER OF MEXICAN CUSTOMS OFFICIALS, BANKERS AND THE HEAD OF A MONEY LAUNDERING OPERATION IN CALEXICO. BAJA CALIFORNIA. HOWEVER. IN UNCLASSIFIED UNCLASSIFIED

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GENERAL TERMS. MEXICO DOES NOT HAVE THE INVESTIGATIVE AND PROSECUTORIAL RESOURCES TO DEVELOP ITS OWN CASES AGAINST MONEY LAUNDERERS. A HIGH-LEVEL PGR OFFICIAL RECENTLY CALLED FOR STRICTER PENALTIES AGAINST LAUNDERERS OF DRUG MONEY BUT THERE WERE NO SIGNIFICANT CHANGES IN MEXICAN BANK SECRECY LAWS OR CRIMINAL CODES IN 1987 THAT MIGHT AFFECT MONEY LAUNDERING.

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MEXICAN AUTHORITIES ARRESTED 9.800 PERSONS FOR

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DRUG TRAFFICKING IN 1987. MEXICO NEEDS TO STRENGTHEN FURTHER ITS CRIMINAL JUSTICE SYSTEM, HOWEVER, IN ORDER TO CARRY CASES FROM ARREST THROUGH CONVICTION TO IMPRISONMENT. MEXICAN LAW ENFORCEMENT OFFICIALS LACK EXPERIENCE IN THE COLLECTION AND USE OF EVIDENCE. MEXICO HAS NO NATION-WIDE CRIMINAL IDENTIFICATION SYSTEM. ITS FORENSIC CAPABILITIES ARE THREE DECADES BEHIND CURRENT TECHNOLOGY, AND POLICE COMMUNICATIONS LINKS ARE RELATIVELY INEFFECTIVE. MEXICO WILL NEED TO CHANNEL CONSIDERABLE RESOURCES INTO ITS CRIMINAL JUSTICE SYSTEM IN ORDER TO CORRECT THESE DEFICIENCES.

- DESPITE THESE PROBLEMS. THE MEXICAN ATTORNEY GENERAL'S OFFICE HAS TAKEN IMPORTANT ENFORCEMENT ACTIONS AGAINST SEVERAL MAJOR DRUG TRAFFICKING ORGANIZATIONS WHICH HAD BEEN SUPPLYING CONSIDERABLE AMOUNTS OF NARCOTICS TO THE UNITED STATES. THE MOST SIGNIFICANT ARRESTS INCLUDE:

-- EDUARDO NEVAREZ LOPEZ, A CLASS I HEROIN TRAFFICKER ARRESTED IN JULY 1987:

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STATE FOR INM . ARA/MEX AND AID

E.O. 12356:N/A TAGS: SNAR, MX SUBJECT: REVISED INTERNATIONAL NARCOTICS CONTROL

- -- JAIME HERRERA NEVAREZ, SR. AND JAIME HERRERA NEVAREZ, JR., BOTH CLASS I HEROIN AND COCAINE TRAFFICKERS, IN AUGUST 1987;
- -- RAMIRO MIRELES FELIX. A CLASS I COCAINE AND MARIJUANA TRAFFICKER. IN AUGUST 1987. HE IS REPORTEDLY THE BOSS OF A LARGE ORGANIZATION WHICH CULTIVATES AND TRAFFICS IN CONSIDERABLE QUANTITIES OF MARIJUANA;
- -- MIGUEL ANGEL BATIS SALCIDO AND IGNACIO BOJORQUEZ IZUNA, CLASS I COCAINE AND MARIJUANA TRAFFICKERS, IN DECEMBER 1987:
- -- FERNANDO MARTINEZ GARZA, A CLASS I MARIJUANA TRAFFICKER, IN NOVEMBER 1987. HE IS REPORTED TO HAVE SHIPPED AT LEAST 25 TONS OF MARIJUANA TO THE UNITED STATES DURING THE PAST THREE YEARS:
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-- RAUL ARGUELLO ZARATE, A COCAINE TRAFFICKER AND



WEAPONS DEALER, IN JULY 1987. ARGUELLO REPORTEDLY EARNED USD 200,000-400,000 PER WEEK FROM HIS DRUG ACTIVITIES;

-- NICOLAS NAVA DUQUE, CO-LEADER OF A LARGE MARIJUANA AND HEROIN TRAFFICKING RING, IN OCTOBER 1987. POLICE LOCATED OPIUM GUM LABS AND MARIJUANA FIELDS, AND CONFISCATED PROPERTY AND WEAPONS AS PART OF THIS INVESTIGATION.

IN ALL OF THESE CASES, THE ABOVE-LISTED ORGANIZATION HEADS WERE ARRESTED ALONG WITH OTHER RING-MEMBERS. THEY REMAIN IN POLICE CUSTODY AWAITING TRIAL. THE DISMANTLING OF THESE ORGANIZATIONS IS SIGNIFICANT. WHILE MANY DRUG RINGS CONTINUE TO OPERATE IN MEXICO, THE PGR HAS ACTED FORCEFULLY AGAINST TRAFFICKERS WHENEVER POSSIBLE.

ORUG TRAFFICKERS RAFAEL CARO QUINTERO AND ERNESTO FONSECA CARRILLO, AMONG OTHER DEFENDENTS, REMAIN IN PRISON AND ARE UNDERGOING PROSECUTION FOR THEIR INVOLVEMENT IN THE MURDER OF DEA AGENT ENRIQUE CAMARENA. THE TRIAL PROCESS BEGAN UPON CARO QUINTERO'S EXPLUSION FROM COSTA RICA IN APRIL 1988, AND THE PROSECUTION HAS ALREADY PRESENTED ITS EVIDENCE IN THE TRIAL. UNDER THE MEXICAN JUDICIAL SYSTEM, WITH FEW EXCEPTIONS, THE TRIAL JUDGE, RATHER THAN A JURY, MAKES THE DETERMINATION OF GUILT AND SETS THE PUNISHMENT. THE JUDGE IN THIS CASE IS CURRENTLY REVIEWING THE EVIDENCE. SINCE THE MEXICAN JUDICIAL SYSTEM CALLS FOR THE PRESENTATION OF WRITTEN EVIDENCE (RATHER THAN ORAL UNCLASSIFIED

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TESTIMONY) AND SINCE MEXICAN LAW ALLOTS FIXED AMOUNTS OF TIME FOR DEFENSE ATTORNEYS TO REVIEW THE EVIDENCE. THE TRIAL IS PROCEEDING VERY SLOWLY. THIS DELAY IN THE VERDICT AND SENTENCING, HOWEVER, IS NOT UNUSUAL UNDER THE MEXICAN JUDICIAL SYSTEM, WHERE COMPLEX TRIALS SUCH AS THIS INVOLVE NUMEROUS CHARGES, DELAYING TACTICS BY DEFENSE ATTORNEYS. AND VOLUMINOUS EVIDENCE.

- RELATED TO THE CARO QUINTERO'S IMPRISONMENT. WILL ASSILLD MEXICAN AUTHORITIES FOUND TWO TUNNELS IN OCTOBER 1987 UNLLASSILLD WHICH RAN FROM HOMES NEAR THE FEDERAL PENITENTIARY TO

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WITHIN 30 METERS OF CARO QUINTERO'S CELL. MEXICAN OFFICIALS ARE INVESTIGATING THE APPARENT ESCAPE ATTEMPT. THE TUNNELS HAVE NOT YET BEEN SEALED BUT ARE UNDER 24-HOUR GUARD.

- THE COURT CASE RELATED TO THE DETENTION OF DEA SPECIAL AGENT VICTOR CORTEZ BY JALISCO STATE JUDICIAL POLICE IS ALSO UNDER JUDICIAL REVIEW. COPIES OF SWORN DEPOSITIONS MADE BY SPECIAL AGENT CORTEZ HAVE BEEN GIVEN TO MEXICAN JUDICIAL AUTHORITIES. IT IS NOT POSSIBLE TO PREDICT EITHER THE LENGTH OF THE PROCEEDINGS IN THIS CASE OR THE OUTCOME.
- THE PGR REPORTED THAT IT ERADICATED A TOTAL OF 2,520 HECTARES OF OPIUM POPPY AND 3,550 HECTARES OF MARIJUANA IN 1987 SIX PERCENT MORE OPIUM POPPY AND 20 PERCENT MORE MARIJUANA DESTROYED THAN IN 1986. THE PGR DESTROYED MOST OF THESE CROPS BY AERIALLY-APPLIED HERBICIDES. THE PGR MANUALLY DESTROYED MARIJUANA AND OPIUM PLANTATIONS ON ITS OWN AND AS PART OF JOINT PGR-MEXICAN ARMY SWEEPS IN GUERRERO, MICHOACAN AND OAXACA. THE PGR ALSO INITIATED A SPECIAL PROJECT IN



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INCLAS SECTION 05 OF 12 MEXICO 01141

STATE FOR INM . ARA/MEX AND AID

:.O. 12356:N/A |AGS: SNAR, MX

SUBJECT: REVISED INTERNATIONAL NARCOTICS CONTROL

THE STATE OF MICHOACAN IN MHICH FEDERAL AND STATE SOVERNMENT AUTHORITIES COMBINED RESOURCES TO MANUALLY ERADICATE A PARTICULARLY LARGE MARIJUANA CROP THERE. THE USG DONATED AN IMPORTANT QUANTITY OF MATERIAL RESOURCES, INCLUDING BACKPACK SPRAYERS, TO HELP THIS SPECIAL CAMPAIGN SUCCEED.

OPERATION VANGUARD HAS BEEN ABLE TO REPORT OSITIVE DESTRUCTION RATES OF FROM 98 TO 99 PERCENT. THIS ERADICATION VERIFICATION PROGRAM, BASED ON DIRECT OBSERVATION, TYPICALLY LOOKS AT 60 PERCENT OF THE FIELDS SPRAYED BY THE PGR ON A MONTHLY BASIS. TAVIGATORS ON VANGUARD VERIFICATION FLIGHTS RECEIVE THEIR FLIGHT COORDINATES FROM THE PGR'S OFFICE OF RECONNAISSANCE AND ERADICATION VERIFICATION. DEA HAD TO ROLE IN SELECTING WHICH FIELDS WOULD BE VERIFIED ALTHOUGH ON A NUMBER OF OCCASIONS, THIS PGR OFFICE HAS INCLASSIFIED

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DROERED RECONNAISSANCE MISSIONS TO VERIFY THE LOCATIONS DE POSSIBLE DRUG FIELDS BASED ON INFORMATION PROVIDED



BY DEA.

- THE PGR'S ABILITY TO ERADICATE MORE DRUGS IN 1987 IS ATTRIBUTABLE IN LARGE PART TO ITS STRATEGIC PLAN FOR THE 1987 FALL CAMPAIGN. THE PLAN WAS BASED ON EXTENSIVE AERIAL RECONNAISSANCE WHICH INDICATED A WIDER DISTRIBUTION OF DRUG FIELDS THAN IN PAST YEARS. PGR DECIDED TO MOUNT ERADICATION OPERATIONS IN ALL AREAS WHERE DRUGS WERE DETECTED, NOT ONLY IN THE TRADITIONAL GROWING ZONES. EVEN THOUGH THE MORE DISPERSED OPERATIONS ADDED TO THE LOGISTICAL DEMAND ON PERSONNEL AND EQUIPMENT. ERADICATION COVERAGE WAS FIXED ON AREAS WHERE THE HIGHEST CONCENTRATIONS OF DRUG FIELDS WERE LOCATED. THIS APPROACH ENABLED THE PGR TO ERADICATE MORE DRUGS EVEN THOUGH PGR SPRAY PLANES FLEW 12 PERCENT FEWER HOURS THAN IN 1986.
- IN MID-1987. THE PGR ADDED 12 NEW BELL 206 HELICOPTERS TO EXPAND AND MODERNIZE ITS FLEET. SOME UNITS OF WHICH WERE PURCHASED A DECADE AGO. TWO ADDITIONAL BELL 206 HELICOPTERS WERE PURCHASED WITH INSURANCE MONIES DUE TO THE PGR FROM HELICOPTER CRASHES. AS THESE HELICOPTERS WERE INTEGRATED INTO THE FLEET. THE PGR USED THEM TO REPLACE HELICOPTERS WHICH REQUIRED ROUTINE OR EXTRAORDINARY MAINTENANCE. WAY. THE PGR MAINTAINED TEN PAIRS OF SPRAY AND SUPPORT HELICOPTERS FLYING ERADICATION MISSIONS THROUGHOUT THE FALL CAMPAIGN. THIS ALSO CONTRIBUTED TO IMPROVED 1987 ERADICATION RESULTS.
- MEXICAN LAW ENFORCEMENT AUTHORITIES AND THE UNCLASS IF IED UNCLASSIFIED

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MILITARY HAVE INCREASED THEIR EFFORTS JO SEIZE ILLICIT DRUGS PRODUCED IN OR TRANSITTING THROUGH MEXICO. 1987 SEIZURES OF MARIJUANA WERE CLOSE TO 400 METRIC TONS. DOUBLE THE AMOUNT CAPTURED IN 1986. SEIZURES OF OPIUM AND HEROIN REACHED 350 KILOS. WELL ABOVE THE AMOUNTS CAPTURED IN 1986 AND 1985. WITHOUT DOUBT. MEXICO CONTINUES TO BE A MAJOR TRANSIT COUNTRY FOR COCAINE ORIGINATING IN SOUTH AMERICA AND DESTINED FOR THE UNITED STATES. COCAINE SEIZURES IN 1987 HAVE INCREASED IN 1985 AND 5,323 KILOS IN 1986. DEA-HEXICO HAS UNG ASSIFIED DRAMATICALLY TO OVER 9,800 KILOS, UP FROM 2,563 KILOS

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PARTICIPATED IN POST-SEIZURE FOLLOW-ON INVESTIGATIONS IN THESE CASES. SOME OF THE MOST SIGNIFICANT COCAINE SEIZURES OCCURRED IN THE PAST 100 DAYS INCLUDING: 992 KILOS ON SEPTEMBER 21 IN SONORA; 2,268 KILOS SEIZED IN OCTOBER NEAR TIJUANA; 630 KILOS SEIZED IN DECEMBER IN BAJA CALIFORNIA; AND 416 KILOS SEIZED IN LATE DECEMBER IN HIDALGO IN A RAID ON A COCAINE LABORATORY.

- GOM AUTHORITIES DISMANTLED 13 ILLICIT DRUG LABORATORIES IN 1986 AND 1987. SEVERAL OF THESE LABS HERE DISCOVERED BASED ON INFORMATION PROVIDED BY DEA-MEXICO. WHILE THESE ARE NOT IMPRESSIVE NUMBERS, THE CHARACTERISTICS OF LABS FOUND IN MEXICO MAKE THEIR DISCOVERY EXTREMELY DIFFICULT. LABS ARE SMALL, PORTABLE AND USUALLY LOCATED IN REMOTE AREAS. GIVEN THE UNSOPHISTICATED EQUIPMENT USED, IT IS DIFFICULT TO DISTINGUISH SUCH LABS FROM TYPICAL RURAL KITCHENS. POLICE WILL NEED BETTER INTELLIGENCE AND LOGISTICAL CAPABILITIES IF THEY ARE TO SEIZE MORE HEROIN LABORATORIES. DEA DOES NOT BELIEVE THERE IS ANY SIGNIFICANT AMOUNT OF COCAINE REFINING IN MEXICO EITHER ALTHOUGH SEVERAL COCAINE LABS HAVE BEEN FOUND IN

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STATE FOR INM . ARA/MEX AND AID

E.O. 12356:N/A TAGS: SNAR, MX

SUBJECT: REVISED INTERNATIONAL NARCOTICS CONTROL

MEXICO, INCLUDING A LARGE LAB IN HIDALGO IN DECEMBER. THIS LAB WAS SIGNIFICANT NOT ONLY FOR ITS SIZE BUT ALSO BECAUSE OF THE APPARENT INVOLVEMENT OF SOUTH AMERICAN DRUG TRAFFICKERS. IT IS TOO SOON TO KNOW WHETHER THE PRESENCE OF THIS SOUTH-AMERICAN OPERATED COCAINE CONVERSION LAB IN MEXICO IS AN ISOLATED OCCURRENCE OR EVIDENCE OF AN EMERGING TREND. OTHER REPORTED LAB SEIZURES INVOLVED SMALL-SCALE OPERATIONS AND IN SOME CASES THE LABS WERE ACTUALLY DRUG DISTRIBUTION CENTERS.

- SEVERAL INDEPENDENT EVALUATIONS OF THE PGR AERIAL ERADICATION PROGRAM WERE COMPLETED IN THE FIRST HALF OF 1987. THE STUDIES, INCLUDING A MAJOR REVIEW BY THE GENERAL ACCOUNTING OFFICE, HAVE BEEN USED TO IDENTIFY AREAS IN WHICH THE PROGRAM CAN BE IMPROVED. THESE INCLUDE AIRCRAFT MAINTENANCE, PROGRAM MANAGEMENT, AND UNCLASSIFIED

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AIRCRAFT UTILIZATION. ALL EVALUATIONS OF THE PGR PROGRAM POINT TO A NEED TO IMPROVE AIRCRAFT MAINTENANCE

OPERATIONS. A MAJOR PROBLEM HAS BEEN DECLINE IN THE RATE OF AVAILABILITY OF AIRCRAFT FOR ERADICATION MISSIONS. THE RATE OF AVAILABILITY OF AIRCRAFT. DEFINED AS THE NUMBER OF AIRCRAFT OPERATIVE DIVIDED BY THE TOTAL NUMBER OF AIRCRAFT IN THE FLEET. HAS FALLEN FROM 77 PERCENT IN 1982 TO 65 PERCENT IN 1987. THE REASONS FOR THE DECLINE ARE MANY, INCLUDING A LARGER NUMBER OF AIRCRAFT TO MAINTAIN IN MORE LOCATIONS AND DIFFICULTIES RELATED TO RETAINING AN EXPERIENCED MAINTENANCE STAFF.

THE EMBASSY AND PGR WORKED TOGETHER IN 1987 TO CORRECT MAINTENANCE AND ADMINISTRATIVE DEFICIENCIES WHICH HAVE LESSENED THE EFFICIENT USE OF EXISTING EQUIPMENT AND MANPOWER. THE USG-FUNDED AIRCRAFT MAINTENANCE CONTRACT IS BEING RECOMPETED IN 1988. PGR AND EMBASSY COOPERATED TO REVISE A REQUEST FOR PROPOSAL (RFP) TO IMPROVE THE TERMS OF THE NEW MAINTENANCE CONTRACT THAT WILL SUPPORT THE AERIAL ERADICATION FLEET. BEGINNING IN APRIL 1988. THE NEW CONTRACT ESTABLISHES CLEAR LINES OF AUTHORITY OVER MAINTENANCE RESPONSIBILITES. A PRINCIPAL DEFICIENCY OF EARLIER VERSIONS. TO ENSURE CONTINUED SUPPORT OF THE PGR AERIAL ERADICATION FLEET. UNTIL THE NEW CONTRACT IS NEGOTIATED. THE GOM HAS EXTENDED THE CURRENT AVIATION MAINTENANCE CONTRACT THROUGH MARCH 31, 1988. A DRAFT RFP FOR THE NEW MAINTENANCE CONTRACT WILL BE AVAILABLE TO PROSPECTIVE BIDDERS IN JANUARY 1988.

THE EMBASSY HAS ALSO SUBMITTED TO THE GOM A LETTER OF AGREEMENT (LOA) TO DEFINE BOTH GOVERNMENTS' UNCLASSIFIED UNCLASSIFIED

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OBLIGATIONS AND EXPECTATIONS WITH RESPECT TO SUPPORTING THE PGR'S AIRFLEET. THE LOA DETAILS A COOPERATIVE EFFORT TO IMPROVE THE PGR'S ABILITY TO AERIALLY ERADICATE ILLICIT NARCOTICS CROPS THROUGHOUT MEXICO. THE SUCCESS OF THIS EFFORT DEPENDS TO A GREAT EXTENT ON INCREASING THE AVAILABILITY OF PGR AIRCRAFT FOR ERADICATION AND SUPPORT MISSIONS.

THE EMBASSY AND PGR ALSO WORKED TOGETHER TO REFURBISH AND UPGRADE THE PHYSICAL FALILITIES THESE SUPPORT EQUIPMENT AT SELECTED PGR AIRBASES. THESE UNCLASSIFIED

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IMPROVEMENTS ARE EXPECTED TO INCREASE THE OVERALL EFFECTIVENESS OF ERADICATION OPERATIONS. NAU AND PGR TECHNICAL STAFF CONDUCTED A SERIES OF FIELD TESTS BOTH OF HERBICIDES AND SPRAY EQUIPMENT TO IMPROVE AERIAL FUMIGATION EFFICIENCY. THE EMBASSY PLANS TO INCREASE ITS FIELD PRESENCE AND ACCESS TO PROGRAM AREAS IN 1988 BY HIRING TWO MORE ADVISORS.

THE EMBASSY HAS BEEN WORKING CLOSELY WITH THE PGR TO TRAIN NEW HELICOPTER PILOTS. THE PGR OPERATED WITH A SEVERE SHORTAGE AN ONGOING PILOT SHORTAGE IN 1987. DEVELOPED OVER THE PAST THREE YEARS BECAUSE OF JOB-RELATED DEATHS AND INJURIES. RESIGNATIONS AND DISMISSALS FOR DISCIPLINARY CAUSES. THE RANKS OF PGR PILOTS HAVE DIMINISHED FROM 159 IN 1985 TO JUST OVER 100 THIS YEAR. THE PGR NEEDS ABOUT 150 PILOTS TO ADEQUATELY CREW ITS FLEET. IN NOVEMBER. WITH USG FINANCIAL ASSISTANCE. THE PGR HOUNTED A THREE MONTH TRAINING PROGRAM TO QUALIFY 20 NEW BELL 206 PILOTS. 15 BELL 206 FUMIGATION PILOTS AND 5 BELL 212 FUMIGATION PILOTS. THE PGR HAS ALSO RAISED PILOTS' WAGES. PER DIEM RATES AND TAKEN FURTHER STEPS. SUCH AS THE

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UNCLAS SECTION 07 OF 12 MEXICO 01141

STATE FOR INM . ARA/MEX AND AID

E.O. 12356'N/A TAGS: SNAS. MX

SUBJECT: PIVISED INTERNATIONAL NARCOTICS CONTROL

IMPOSITION OF CONTRACTUAL AGREEMENTS/OBLIGATIONS, TO RETAIN BOTH NEWLY TRAINED AND EXPERIENCED PILOTS.

A.J. PLANS, PROGRAMS, TIMETABLES (1988)

- INCREASED LIAISON AT ALL LEVELS OF LAW
ENFORCEMENT IN MEXICO IS ANTICIPATED, WITH A VIEW
TOWARD BETTER COOPERATION IN ALL AREAS OF MUTUAL
COMCERN. DURING 1988. ALL FBI OFFICES IN THE U.S..
ESPECIALLY THOSE ALONG THE U.S.- MEXICAN BORDER. WILL
BE SPECIFICALLY TASKED TO DEBRIEF ALL SOURCES ON DRUG
INTELLIGENCE ON MEXICO, INCLUDING SPECIFIC INFORMATION
CONCERNING CULTIVATION AREAS. THIS INFORMATION WILL
THEN BE PASSED ON TO THE THE FBI AND DEA.
ADDITIONALLY, INFORMATION WILL BE SOUGHT ON THE
IDENTITY OF ANY ASSETS HELD BY IDENTIFIED DRUG
TRAFFICKERS IN THE UNITED STATES OR MEXICO, AS A
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FOLLOW-ON TO THE RECENT SIGNING OF A MUTUAL LEGAL ASSISTANCE TREATY.

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- ATTEMPTS WILL BE MADE TO SATISFY ALL REQUESTS FOR ASSISTANCE FROM MEXICAN AUTHORITIES PERTAINING TO INVESTIGATIVE EFFORTS IN THE UNITED STATES. WHEN POSSIBLE, PROFESSIONAL TRAINING WILL BE OFFERED TO MEXICAN LAW ENFORCEMENT PERSONNEL.
- AS IN THE PAST, THE PGR INTENDS TO CONTRACT THE SERVICES OF A U.S. COMPANY TO ASSIST IN MAKING AIRCRAFT AVAILABLE FOR ERADICATION UNDER THE TERMS OF THE NEW MAINTENANCE CONTRACT. THE USG WILL PROVIDE PROCEDURAL GUIDANCE IN THE CONTRACTOR SELECTION PROCESS AND FUNDS TO FINANCE THE CONTRACT. THE CONTRACTOR WILL TRAIN PGR PERSONNEL, PROCURE AIRCRAFT PARTS AND OVERHAUL/REPAIR SERVICES, AND PROVIDE TECHNICAL CONSULTATION AND ADVICE WITHIN THE SCOPE OF THE CONTRACT.
- IN 1987, THE PGR ASSISTED DEA IN CONDUCTING GROUND TRUTH MISSIONS TO COLLECT MARIJUANA SAMPLES FROM ILLICT FIELDS AS PART OF OPERATION VANGUARD. IN 1988, DEA PLANS TO EXPAND THIS PROJECT TO INCLUDE OPIUM POPPY SAMPLING. THE PGR HAS PROMISED TO ASSIGN A REBUILT BELL 212 HELICOPTER TO SUPPORT THIS AND OTHER VANGUARD OPERATIONS.
- THE PGR AERIAL ERADICATION PROGRAM ALSO REQUIRES A SUBSTANTIAL AMOUNT OF FIELD SUPPORT IN ORDER TO FUNCTION PROPERLY. NAU HAS PROGRAMMED ITS FIELD SUPPORT ACTIVITIES IN 1988 TO ASSIST THE PGR. THIS PROJECT COMPLEMENTS NAU'S MAIN EFFORT OF IMPROVING AIRCRAFT AVAILABILITY RATES FOR AERIAL ERADICATION UNCLASSIFIED UNCLASSIFIED

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OPERATIONS AGAINST ILLICIT CROPS THROUGHOUT MEXICG UNDER FIELD SUPPORT PROJECTS, THE PGR WILL RECEIVE AVIATION FUEL AND HERBICIDE AND NEEDED TOOLS AND EQUIPMENT. FUNDS WILL ALSO BE USED TO REFURBISH/UPGRADE PGR AIR BASES, MAINTAIN PGR VEHICLES ASSIGNED TO THE ERADICATION CAMPAIGN, TRAIN NEW HELICOPTER PILOTS, AND CONTRACT A US COMPANY TO FLY A SPRING AND FALL AERIAL SURVEY IN MEXICO.

- NAU AND THE PGR ARE PLANNING AN AERIAL SURVEY OVER PART OF THE OPIUM GROWING REGION OF GUERRERO. THE





SURVEY WILL COVER AREAS NOT PHOTOGRAPHED DURING A SIMILAR MISSION IN FEBRUARY 1986. AS 1987 ENDED, FINAL APPROVAL OF THE SURVEY PLAN RESTED WITH THE MINISTRY OF DEFENSE. FAVORABLE WEATHER CONDITIONS WILL LAST ONLY THROUGH FEBRUARY AFTER WHICH THE SPRING RAINS BEGIN. THE PGR IS SEEKING A QUICK AND FAVORABLE DECISION FROM THE MINISTRY OF DEFENSE.

- INM AND NAU ARE PREPARING A FIVE-YEAR AERIAL SURVEY PLAN. A TOTAL OF THREE PGR AIRCRAFT WOULD BE OUTFITTED BY USG UNDER THE PLAN FOR AERIAL SURVEY WORK, BY JUNE OF 1990. THE PLAN WILL ALSO PROVIDE INFORMATION ON THE ADDITIONAL PERSONNEL, TRAINING AND MATERIAL RESOURCES THAT AN ENLARGED PROGRAM WOULD REQUIRE.
- IN 1988, NAU WILL EVALUATE PGR REQUIREMENTS FOR NEW AIRCRAFT TO CARRY OUT AERIAL ERADICATION. EMPHASIS WILL BE PLACED ON ACHIEVING THE PROPER MIX OF BELL 206 AND BELL 212 HELICOPTERS FOR MAXIMUM ADVANTAGE IN ATTACKING BOTH OPIUM POPPY AND MARIJUANA CULTIVATIONS. TO AID IN EVALUATING PGR AIR FLEET PERFORMANCE AND



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UNCLAS SECTION OB OF 12 MEXICO 01141

STATE FOR INM . ARA/h. . AND AID

E.O. 12356:N/A TAGS: SNAR, MX

SUBJECT: REVISED INTERNATIONAL NARCOTICS CONTROL

EQUIPMENT NEEDS, NAU PLANS TO CONTRACT THO ADDITIONAL AVIATION ADVISORS IN EARLY 1986 TO EXPAND ITS PRESENCE IN THE FIELD.

- THE MEXICAN INSTITUTE OF PSYCHIATRY AND THE MEXICAN SECRETARIAT OF HEALTH ARE PREPARING TO COMPLETE A NATIONAL DRUG USE SURVEY IN 1988. INM HAS COMMITTED USD 150,000 OF FY 1987 MONIES TO HELP FUND THIS SURVEY. THE GOAL IS TO ADDRESS THE IMMEDIATE MEXICAN ISSUE AND TO FORMULATE INTERVENTION PLANS THAT TAKE A BROADER, INTERNATIONAL POINT OF REFERENCE AND SIGNIFICANCE.
- IN AUGUST 1987, AID SIGNED A GRANT AGREEMENT FOR USD 400,000 WITH A MEXICAN SOCIAL AGENCY LOCATED IN CIUDAD JUAREZ. A PILOT PROGRAM WILL BE DEVELOPED, WHICH WILL BE REPLICATED IN SAN DIEGO, MAJOR PORT UNCLASSIFIED

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CITIES, AND MEXICO CITY. ACTIVITIES INCLUDE CONDUCTING A HOUSEHOLD SURVEY TO ASSESS THE COMMUNITY'S PERCEPTION

OF THE DRUG PROBLEM. TO INVESTIGATE REASONS AND ATTITUDES THAT FOMENT IT. AND TO SOLICIT GRASS ROOTS IDEAS AND INITIATIVES FOR COMBATTING IT.

- THE EMBASSY HAS BEEN INVOLVED IN VARIOUS OTHER DRUG AWARENESS ACTIVITIES. USIS IS WORKING WITH SISTER CITIES INTERNATIONAL AND A MEXICAN AGENCY TO DISCUSS PLANNED PROJECTS ON DRUG AWARENESS BEING FUNDED BY USIA. ALSO, USIS IS THE LIAISON AGENCY FOR AN SAN DIEGO INSTITUTION THAT IS WORKING WITH MEXICAN GROUPS IN TIJUANA AND IN MEXICO CITY.
- EMBASSY BELIEVES THE FOREGOING NAU PROGRAMS AND PLANS CAN BE ACCOMPLISHED WITHIN FUNDING LEVELS CONTAINED IN THE FY 1986 CONGRESSIONAL BUDGET SUBHISSION REQUEST (USD 16.9 MILLION).
- A.4. ADEQUACY OF LEGAL AND LAW ENFORCEMENT MEASURES
- THE MEXICAN CONSTITUTION (ARTICLE 27) PERMITS THE GOVERNMENT TO CONFISCATE AND REDISTRIBUTE ALL LAND NOT USED FOR SOCIALLY ACCEPTABLE PURPOSES, INCLUDING LANDS USED FOR DRUG CULTIVATION. THE GOM MAY CONFISCATE THE ENTIRE PROPERTY, EVEN IF ONLY A PORTION OF IT WAS DEDICATED TO GROWING DRUG CROPS. THE GOM HAS MADE PROGRESS IN CONFISCATING PROPERTY AND FINANCIAL ASSETS OF DRUG TRAFFICKERS. DURING THE DE LA MADRID ADMINISTRATION, THE GOM HAS MODIFIED RULES OF CRIMINAL PROCEDURE TO PERMIT THE PREEMPTORY SEIZURE OF DRUG TRAFFICKERS' PROPERTY AT THE BEGINNING OF THE LEGAL PROCESS RATHER THAN AT THE END. THESE CHANGES HAVE UNCLASSIFIED

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PERMITTED THE GOM TO CONFISCATE REAL ESTATE, PERSONAL PROPERTY AND FINANCIAL ASSETS ACQUIRED THROUGH NARCOTICS-RELATED ACTIVITES, EVEN IF SUCH PROPERTY IS TITLED UNDER THE NAMES OF RELATIVES OR ASSOCIATES. WHILE THESE PROVISIONS WERE APPLIED SELECTIVELY IN 1987, WE EXPECT THE GOM TO EMPLOY THEM WITH GREATER FACILITY IN THE FUTURE, SINCE THE GOVERNMENT BENEFITS FROM ASSETS SEIZURES, AND AS MORE MEXICAN PROSECUTORS FAMILIARIZE THEMSELVES WITH THESE PROCEDURES. IN JUNE 1987, A MEXICAN OFFICIAL REPORTED TO THE MEXICAN CONGRESS THAT THE GOM HAD CONFISCATED AND REDISTRIBUTED.

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30.816 HECTARES OF LAND ON WHICH DRUGS HAD BEEN FOUND.

THE USG AND THE GOM SIGNED A MUTUAL LEGAL ASSISTANCE TREATY (MLAT) ON DECEMBER 9, 1987. THE MEXICAN SENATE RATIFIED THE MLAT ON DECEMBER 29. AFTER RATIFICATION BY THE U.S. SENATE, ITS IMPLEMENTATION HILL PROMOTE CLOSER BILATERAL COOPERATION ON CRIMINAL MATTERS.

A.S. DOMESTIC DRUG ABUSE IN MEXICO

THERE IS NO ACCURATE INFORMATION CURRENTLY AVAILABLE REGARDING THE EXTENT OF DRUG ABUSE IN MEXICO. PAST DRUG SURVEYS HAVE FOCUSED ON DRUG USE AMONG LIMITED POPULATION SETS. PARTICULARLY HIGH SCHOOL AND COLLEGE STUDENTS AND PATIENTS IN DRUG TREATMENT PROGRAMS. DRUG TREATMENT CENTERS IN MEXICO MENTION THAT MARIJUANA, WHICH IS CHEAP AND WIDELY AVAILABLE, IS THE MOST FREQUENTLY ABUSED DRUG, FOLLOWED BY THE ABUSE OF INHALANTS. THE PATTERNS OF DRUG ABUSE VARY BY REGION. NORTHERN MEXICO APPEARS TO BE MOST AFFECTED IN THE LARGE BORDER TOWNS, WITH LARGE CITIES SUCH AS

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UNCLAS SECTION 09 OF 12 MEXICO 01141

STATE FOR INM . ARA/MEX AND AID

E.O. 12356:N/A TAGS: SNAR, MX

SUBJECT: REVISED INTERNATIONAL NARCOTICS CONTROL

MEXICO CITY AND GUNDALAJARA AND RESORT REGIONS SUCH AS MAZATLAN IN CENTRAL MEXICO REPORTING HIGH LEVELS OF ABUSE. WOMEN REPORTEDLY PREFER TO CONSUME PRESCRIPTION DRUGS WHILE MEN ARE MORE FREQUENT CONSUMERS OF ILLEGAL DRUGS AND INHALANTS. NOT UNEXPECTEDLY, YOUTHS BETWEEN THE AGES OF 18 AND 24 REPRESENT THE LARGEST GROUP OF CONSUMERS. THE ABUSE OF HEROIN AND COCAINE DOES NOT APPEAR TO HAVE EMERGED AS A PROBLEM IN MEXICO, AS THE COST OF THESE DRUGS IS BEYOND THE ECONOMIC REACH OF THE AVERAGE MEXICAN.

- IF DRUG AWARENESS IS MEASURED BY MEDIA COVERAGE, PUBLIC AWARENESS SHOULD HAVE INCREASED SIGNIFICANTLY DURING THE PAST YEAR. THE MEDIA HAVE REPORTED WITH INCREASING FREQUENCY, IN QUOTING SECRETARIAT OF EDUCATION OFFICIALS, THAT MARIJUANA CONSUMPTION IS ON THE RISE, PARTICULARLY IN SCHOOLS. REPORTING HAS UNCLASSIFIED

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CHANGED FROM A YEAR AGO WHEN THE MEDIA FAITHFULLY REFLECTED THE OFFICIAL GOM VIEW THAT CONSUMPTION WAS A

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PROBLEM IN THE UNITED STATES. NOT IN MEXICO.

- PRIVATE ORGANIZATIONS NOW PRIVATELY ADMIT TO THE EXISTENCE OF MUCH HIGHER LEVELS OF DRUG ABUSE THROUGHOUT THE COUNTRY THAN MANY OFFICIALS ACKNOWLEDGE. GIVEN THIS ATTITUDE, NOT ALL GOM OFFICIALS HAVE BEEN COMMITTED TO WAGING A TRULY CONCERTED ANTI-DRUG CAMPAIGN.

B.1. NATURE OF ILLICIT DRUG PRODUCTION

SMALL SCALE FARMERS CONTINUE TO PRODUCE MOST OF THE ILLEGAL OPIUM POPPY AND MARIJUANA IN MEXICO. MUCH OF THE PROCESSING AND TRANSPORTATION HAS BEEN ORGANIZED BY A FEW LARGER ORGANIZATIONS WHICH HAVE CONTROLLED THE MEXICAN ILLEGAL NARCOTICS TRADE FOR YEARS. TRAFFICKERS HAVE TAUGHT FARMERS ADVANCED GROWING TECHNIQUES INVOLVING THE USE OF IRRIGATION. IMPROVED SEED. AND FERTILIZER TO INCREASE YIELDS. IMPROVE POTENCY AND TO EXTEND THE CROP GROWING SEASON. THEY HAVE TRIED TO MAKE AERIAL ERADICATION MORE DIFFICULT BY PLANTING SMALLER FIELDS IN MORE REMOTE AREAS. AT HIGH ALTITUDES AND IN MOUNTAINOUS TERRAIN. THIS EFFORT HAS REDUCED THE SPRAYING EFFECTIVENESS OF THE BELL 206 HELICOPTERS. THE PGR'S PRIMARY SPRAY AIRCRAFT. IN ADDITION. GROWERS HAVE RESPONDED TO THE AERIAL APPLICATION OF HERBICIDE BY IMMEDIATELY HARVESTING MATURE PLANTS AND EVEN BY WASHING THE PLANTS TO REMOVE THE HERBICIDE. WHEN YOUNG PLANTS ARE SPRAYED. GROWERS MOVE QUICKLY TO REPLANT THEIR FIELDS.

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IN RECENT YEARS, TRAFFICKERS HAVE ENCOURAGED THE PRODUCTION OF ILLICIT CROPS IN NON-TRADITIONAL GROWING AREAS, SO THAT MARIJUANA IS NOW GROWN IN VIRTUALLY ALL PARTS OF MEXICO. OPIUM POPPY, WHICH WAS TRADITIONALLY GROWN PRIMARILY IN THE TRI-STATE AREA OF SINALOA, DURANGO AND CHIHUAHUA, IS ALSO BEING FOUND IN THE STATES OF GUERRERO, CHIAPAS AND OAXACA.

- DEA BELIEVES THAT PATTERNS OF HEROIN PRODUCTION AND TRAFFICKING HAVE BEEN CHANGING. FARMERS NOW PROCESS THEIR OWN OPIUM INTO A LESS REFINED BUT MORE

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POTENT "BLACK TAR" HEROIN. RISING IMPORTS OF MEXICAN BLACK TAR HEROIN REPRESENT A NEW AND SIGNIFICANT THREAT TO THE US DRUG CONSUMER. THIS PRODUCT HAS BECOME WIDELY AVAILABLE IN THE UNITED STATES AND IS POPULAR BECAUSE OF ITS HIGH PURITY AND LOW PRICE. THE SHARP INCREASE IN HEROIN-RELATED HOSPITAL EMERGENCIES HAS BEEN CONNECTED TO INCREASED USE OF BLACK TAR HEROIN.

- THERE IS NO EVIDENCE THAT MEXICAN FARMERS ARE CULTIVATING THE COCA PLANT.

B.2. FACTORS AFFECTING PRODUCTION

THE MEXICAN ECONOMY CONTINUES TO DETERIORATE FROM GOM DEFICITS DUE TO HIGH INTEREST ON THE DOMESTIC DEBT, THE FALL OF THE MEXICAN STOCK MARKET AND A RESURGENCE OF CAPITAL FLIGHT IN RECENT MONTHS, SPIRALING INFLATION EXPECTED TO TOP 140 PERCENT FOR 1987, AND ONGOING PESO DEVALUATION. RESULTING UNEMPLOYMENT AND UNDEREMPLOYMENT PROVIDE FERTILE GROUND FOR A LARGE UNDERGROUND ECONOMY AND ASSOCIATED ILLEGAL ACTIVITIES, INCLUDING THE CULTIVATION OF ILLICIT CROPS AND

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UNCLAS SECTION 10 OF 12 MEXICO 01141

STATE FOR INM . ARA/MEX AND AID

E.O. 12356:N/A TAGS: SNAR, MX

SUBJECT: REVISED INTERNATIONAL NARCOTICS CONTROL

NARCOTICS TRAFFICKING.

- MEXICO IS AN INDUSTRIALIZED COUNTRY THAT PRODUCES SOME CHEMICALS THAT ARE DIVERTED TO HEROIN PRODUCTION AND REFINING.

B. J. MAXIMUM ACHIEVABLE REDUCTIONS

- THE GOM'S DECLARED OBJECTIVE CONTINUES TO BE TO ELIMINATE THE CULTIVATION OF OPIUM POPPY AND MARIJUANA THROUGHOUT THE NATION, A GOAL WHICH IS VIRTUALLY IMPOSSIBLE, GIVEN MEXICO'S SIZE AND GEOGRAPHY AS WELL AS THE LIMITS ON RESOURCES AVAILABLE FOR THE TASK.

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AND 4,050 METRIC TONS OF MARIJUANA, RESPECTIVELY. THE MAXIMUM REDUCTIONS IN ILLICIT DRUG PRODUCTION WHICH ARE

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ACHIEVABLE THROUGH ERADICATION IN 1988 ARE 3,028 HECTARES OF OPIUM POPPY AND 4,400 HECTARES OF MARIJUANA - A 20 PER CENT INCREASE OVER 1987 RESULTS. THIS RESULT WOULD REDUCE POTENTIAL MARKET SUPPLIES BY 30 METRIC TONS OF OPIUM AND 4,970 METRIC TONS OF MARIJUANA. REDUCTIONS ANTICIPATED FOR 1989 ARE 3,600 HECTARES, OR 36 METRIC TONS, OF OPIUM AND 4,840 HECTARES, OR 5,470 METRIC TONS, OF MARIJUANA.

- LAST YEAR, THE US EMBASSY IN MEXICO UNILATERALLY FIXED 1987 ERADICATION TARGETS AT 7,200 HECTARES OF MARIJUANA AND 4,160 HECTARES OF OPIUM POPPY. THE TARGETS WERE PREMISED ON A NUMBER OF ASSUMPTIONS, INCLUDING THE PGR'S ABILITY TO MAINTAIN AN AVERAGE RATE OF AIRCRAFT AVAILABILITY OF 80 PERCENT FOR ITS AIRFLEET AND THE PRESENCE IN MEXICO OF SIX TURBO THRUSH T-65 FIXED-WING SPRAY AIRPLANES.
- IN RETROSPECT, THE EMBASSY-SET TARGETS FOR 1987, WHICH WERE 75 PERCENT ABOVE 1986 RESULTS FOR OPIUM POPPY AND 142 PERCENT ABOVE 1986 RESULTS FOR MARIJUANA, WERE OVERLY OPTIMISTIC. THE EMBASSY'S BASIC ASSUMPTIONS WERE NOT MET WITH RESPECT TO AIRCRAFT AVAILABILITY RATES (ONLY 68 PERCENT) OR WITH RESPECT TO THE USE OF TURBO THRUSH PLANES. THE SHORTFALL IN ERADICATION RESULTS WAS ALSO DUE IN PART TO THE BURGEONING SHORTAGE OF HELICOPTER PILOTS.
- THERE ARE NO ESTIMATES AVAILABLE FOR THE AMOUNT OF DRUGS THE MEXICAN MILITARY MIGHT ERADICATE IN 1988.

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B.4. METHODOLOGY FOR ESTIMATES

- WE ANTICIPATE THE PGR WILL BE ABLE TO ERADICATE 20 PERCENT MORE HECTARES OF DRUG FIELDS IN 1988 THAN IT DID IN 1987. MEXICAN OFFICIALS IN CHARGE OF THE CIVILIAN ANTI-NARCOTICS EFFORT HAVE EXPRESSED THEIR INTENT TO IMPROVE FUTURE RESULTS OVER PAST PERFORMANCE BUT HAVE NOT SET NUMERICAL GOALS FOR THEIR ERADICATION PROGRAMS.

IN ORDER TO PAVE THE WAY FOR A BETTER



PERFORMANCE, THE PGR AND THE EMBASSY HAVE IDENTIFIED AND IMPLEMENTED SOLUTIONS TO A NUMBER OF PROBLEMS THAT AROSE IN 1987. STEPS HAVE BEEN TAKEN TO REBUILD THE PGR'S PILOT CORPS, TO IMPROVE THE PERFORMANCE OF THE PGR'S MAINTEN, YEE OPERATIONS, AND TO FORTIFY OPERATIONS SUPPORT SERVICES. CORRECTING THE PILOT SHORTAGE THROUGH AN INTENSIVE HELICOPTER PILOT TRAINING PROGRAM SHOULD ENABLE THE PGR TO FLY MORE HELICOPTERS, RAISING THE AVERAGE NUMBER OF SPRAY CRAFT OPERATING SIMULTANEOUSLY. WE EXPECT THE PGR TO INCREASE ITS OPERATIONAL CAPACITY BY MORE THAN 40 PERCENT.

- WEIGHT REDUCTIONS OF ILLICIT CROPS ARE BASED ON A YIELD OF ONE METRIC TON OF OPIUM FOR EACH 100 HECTARES OF OPIUM POPPY AND 1.13 METRIC TONS OF MARIJUANA FOR EACH HECTARE OF MARIJUANA CULTIVATION.
- AVAILABLE EVIDENCE DOES NOT JUSTIFY A HIGHER ESTIMATE FOR MARIJUANA OR OPIUM PRODUCTION IN 1988 THAN IN THE PAST FEW YEARS.
- -C.1. STATISTICAL TABLES

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UNCLAS SECTION 11 OF 12 MEXICO 01141

STATE FOR INM . ARA/MEX AND AID

E.O. 12356:N/A TAGS: SNAR, MX.

SUBJECT: REVISED INTERNATIONAL NARCOTICS CONTROL

THERE IS STILL NO COMPLETE AND VERIFIABLE DATA
BASE FOR NARCOTICS PRODUCTION IN MEXICO. THESE
STATISTICS ARE THE BEST ESTIMATES AVAILABLE. THE
FIGURES DO NOT INCLUDE MANUAL ERADICATION BY THE
MEXICAN MILITARY AND THUS ARE NOT WHOLLY CONSISTENT
WITH OFFICIAL GOM STATISTICS THAT AGGREGATE THE RESULTS
OF THE PGR'S AND THE MILITARY'S ANTI-NARCOTICS
CAMPAIGNS.

A. SUMMARY TABLE

-		1987	1988	
OPIUM POPPY HECTARES CULTIVATED HECTARES ERADICATED UNCLASSIFIED UNCLASSIFIED		5,500 2,519	6,000 3,025	UNCLASSIFIED
PAGE 02	MEXICO 01141	11 OF 12	1523497	AMATKAAN IFD
HECTARES HAR OPIUM YIELD		2,981 30	2,975 29	

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HEROIN PRODUCE HEROIN SEIZED HEROIN EXPORTE	IN COUNTR		3 0.03 2.7	2.9 0.09 2.2	5
MARIJUANA HECTARES CULTI HECTARES ERADI HECTARES HARVE HARIJUANA VIEL LOSS FACTOR (I MARIJUANA SEIZ MARIJUANA CONS HARIJUANA EXPO	CATED ESTED .D (1.13) 10 PERCENT ED IN COU SUMED) 6 NTRY 4 1	80	9,000 4,400 4,600 5,200 520 440 100 4,140	MT MT MT
B. DATA TABLE	:S				•
GROSS CULTIVATIUN -(HECTARES) OPIUM	1 <i>989</i> 6,000	1988 6,000	1987	1986	1985
MARIJUANA	9,000	9,000	5, 500 9, 000	5,200 9,000	5,200 9,000
GROSS POTENTIA PRODUCTION (MT OPIUM MARIJUANA		60 10,170	55 10, 170	52 10,170	52 10,170
HECTARES ERADICATED OPIUM MARIJUANA UNCLASSIFIED UNCLASSIFIED	3,600 4,840	3,025 4,475	2, 51 <i>9</i> 3, 580	2, 380 2, 970	2, 300 2, 060
PAGE 03	MEXICO (01141 11	OF 12 1!	52349Z	
CROPS ERADICAT (NUMBER OF FIE OPIUM	LDS) 30,000	25,000	₹ 24 , 689	19,000	18,000
MARIJUANA NET CULTIVATIO	32,000 In	28,000	25, 212	22,880	SSIFIFN
(HECTARES) OPIUM MARIJUANA	2,400 4,160	2,975 4,525	2,981 5,420	2,820 6,620	2,900 6,940
NET PRODUCTION		CLASSIFIE	ח		
ALTERNATI PER					

LIMCI	1221	FIED
URLL	722 L	rieu

(MT) OPIUM MARIJUANA	24 4,700	29 5, 100	30 6, 125	28 7,480	29 7,840
REFINING HEROIN BASE	NOT AVAI	LABLE			
SEIZURES (MT) OPIUM HEROIN OTHER OPIATE COCAINE HARIJUANA OTHER DRUGS ARRESTS	05 - 500 -	.05 - - 440 -	.03 - 9 400	.01 - 5 100	- - 2.3 147
NATIONALS FOREIGNERS	10,000 300	10,000	9,800 300	8, 340 300	4 ,886 294
LABS DESTROYED					

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PAGE 01 MEXICO 01141 12 OF 12 1523497

ACTION INM-07

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UNCLAS SECTION 12 OF 12 MEXICO 01141

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TAGS: SNAR, MX

SUBJECT: REVISED INTERNATIONAL NARCOTICS CONTROL

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CONSUMPTION (MT)

MARIJUANA 100 100 100 100

D.1. STATUS OF USG ASSISTANCE

USG ASSISTANCE TO THE GOM IS AS FOLLOWS IN MILLIONS OF DOLLARS:

ACCICTANCE EVIDE EVIDE EVIDE

ASSISTANCE FY'88 FY'87 FY'86
- (REQUESTED) (ACTUAL) (ACTUAL)

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PAGE 02 MEXICO 01141 12 OF 12 152349Z

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D.2. IMPACT OF USG ASSISTANCE (WILL BE SENT SEPTEL)

E.1. NESOURCE ESTIMATES

- THE FOLLOWING TABLE REFLECTS ESTIMATED REDUCTION OF ILLICIT DRUG PRODUCTION WHICH CAN BE ACHIEVED OVER THE NEXT TWO YEARS WITHIN EXISTING KNOWN FUNDING LEVELS:

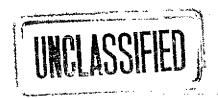
REDUCTION	1988	1989	
OPIUM POPPY (HECTARES)	3,025	3,600	
OPIUM (METRIC TONS)	30	36	
MARIJUANA (HECTARES)	4,475	4,840	
MARIJUANA (METRIC TONS)	5.060	5.470	

WHILE WE BELIEVE THE GOM CAN ACHIEVE THESE RESULTS WITHIN ITS CURRENT LEVEL OF RESOURCES. MEXICO IS EXPERIENCING SEVERE DOMESTIC ECONOMIC DIFFICULTIES. INCLUDING RAPIDLY RISING INFLATION AND A LARGE PUBLIC SECTOR BUDGET DEFICIT. THE PGR'S REQUESTS FOR ADDITIONAL ALLOCATIONS FROM THE CENTRAL GOVERNMENT BUDGET FOR NARCOTICS CONTROL PROGRAMS IN 1988 ARE LIKELY TO FACE INTENSE SCRUTINY. IT IS POSSIBLE TO FORESEE A NEGATIVE IMPACT WHICH COULD BE WROUGHT ON THE PROGRAM IS THE GOM HAS TO CUTBACK THE PGR BUDGET IN REAL TERMS. HOWEVER FROM THE EXPRESSED DEDICATION OF TOP GOM OFFICIALS WE DO NOT BELIEVE THIS LIKELY. THE IMPACT ON ERADICATION RESULTS WOULD BE PARTICULARLY SEVERE IF THE PGR IS UNABLE TO ADEQUATELY COMPENSATE ITS AVIATORS AND UNCLASSIFIED UNCLASSIFIED

PAGE 03 MEXICO 01141 12 OF 12 152349Z

AVIATION SUPPORT STAFF.

- WE BELIEVE THAT THE USG CONTRIBUTION TO THE GOM ANTI-NARCOTICS PROGRAMS SHOULD NOT FALL BELOW CURRENT LEVELS. IT IS LIKELY WE WILL NEED TO REQUEST ADDITIONAL FUNDS AT SOME POINT IN THE NEAR FUTURE IN ORDER TO OFFSET THE RISING COST OF AIRCRAFT MAINTENANCE AND TO SUPPORT THE NEW AIRCRAFT THE GOM HAS ACQUIRED FOR ITS ERADICATION FLEET. THE EMBASSY PLANS TO CARRY OUT A STUDY IN 1988 TO DETERMINE THE ERADICATION CAPABILITY OF THE PRESENT AIR FLEET, BASED ON MAXIMALLY—EFFICIENT



RESOURCE UTILIZATION, ALONG WITH THE NUMBER AND TYPES OF ADDITIONAL AIRCRAFT NEEDED TO ENHANCE THE OVERALL CAPABILITIES OF THE ERADICATION PROGRAM.
PILLIOD



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THE SECRETARY OF STATE Washington

JEN 30 P4:12

January 30, 1988

DEPARTMENT OF STATE RELEASE) EXCISE

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SUBJECT:

The President DENY George P. Shultz C

Your meeting with next can President

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de la Madrid, February 13

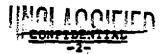
WHERE DOES OUR RELATIONSHIP STAND?

- Significant advances on many issues since you last met in August 1986: Framework Agreement on Trade and Investment; Mutual Legal Assistance Treaty; Mexican GATT accession; progress on border, migration, and a number of trade matters. Hearing new accords on aviation, search and rescue, and telecommunications.
- De la Madrid has adopted economic reforms and followed responsible foreign debt policies, with US support. Accumulated foreign exchange reserves now \$15 billion .part of which to be used to buy US zero-coupon bends as collateral for Mexican bonds-for-debt awap proposal.
- Domestic costs for Mexico remain high: continued austerity, rampant inflation (nearly 160 percent) political unpopularity for de la Madrid and his party's presidential candidate, Carlos <u>Salinas</u> de Gortari. Although certain to win election, Salinas will face continued economic crisis and political problems.
- Economic cooperation has improved our political relationship, but problems remain, some serious:

-- Anger in law enforcement community and Congress at perceived foot-dragging, corruption, creating pressures to deny Mexico certification under recent marcotics legislation. Would severely damage relationship and narcotics effort itself. (Mexicans believe criticisms unjustified; cite Mexican casualties, resources allocated to drug war, US failure to attack demand.)

-Differences continue over Central America.

-- Internal pressures to open Mexico's political system growing during election campaign. Wext six-year term may be crucial in this regard. Some evolution underway. Salinas making encouraging statements. "



II. WHAT DO WE WANT?

9

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C.

- Recognition that cooperation, dialogue and accomplishments under your and de la Madrid's Administrations benefit both countries; must continue.
- Favorable tone and course for relationship under the next US and Mexican administrations.
- Impetus to discussions underway on trade et al.
- De la Madrid's commitment to specific, rapid, and visible actions on narcotics.
- Continuation of de la Madrid's politically courageous policies aimed at modernizing Mexico's economy.
- o A more balanced Mexican approach on Central America.
- o Continued refusal to allow expanded Soviet presence.

III. WHAT DOES DE LA MADRID WANT?

- Visible evidence that his policy of closer cooperation with the US pays off for Hexico, while preserving Mexican independence.
- o Strong expression of US support for the difficult economic reforms he is imposing on Mexico.
- o Improving access to US markets for Mexican exports.
- OS recognition that Nexican anti-narcotics effort has in fact been substantial.
- Basing of US pressures and criticisms over Central America and UN/OAS voting.

IV. WHAT CAN BE ACHIEVED FROM THIS VISIT?

- Public recognition that you and de la Madrid have accomplished much and put US/Mexico relations on a new course that can be followed by your successors.
- Strengthening of Mexican commitment to domestic economic reform, responsible debt policies.
- Realization by de la Madrid that stronger action in specific anti-narcotics areas is essential.
- 9 Perhaps some softening of Mexico's support for Sandinistas; continued resistance to expanded Soviet presence.

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United States Department of State

Washington, D. C. 205

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BRIEFING MEMORANDUM DEPARTMENT OF STATE

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The Secretary

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FOIA Exemptions. PA Exemptions

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SUBJECT:

Checklist for Your Meeting with 05 Madaisador to

Mexico, Charles Pilliod on Monday, February 8

at 2:00 P.M.

PRESIDENTIAL SUMMIT MEETING

Attached ark fan hemorkoda chich jos t≐mt om the White House setting out the basic objectives for the President's trip to Mazatlan, Mexico.

You may wish to raise the following points about the presidential summit with Ambassador Pilliod:

- -- Do you agree with our approach to the meeting of placing bilateral relations in the best possible public light while hitting the GOM hard in the private meetings on areas of disagreement?
- We will place great emphasis on increasing Mexican effectiveness in combatting narcotics trafficking. Do you believe that the GOM is capable of doing more?
- -- President Reagan will discuss with President de la Madrid the narcotics certification issue. What is your assessment of the impact in Mexico if we fail to certify Mexico as fully cooperating with us on the narcotics issue?
- -- .Do you share our view that Mexico is unlikely to change its approach on Central America as long as Sepulveda is Foreign Secretary? How do you think we should treat this issue at the summit?
- I understand that Foreign Secretary Sepulveda wishes to have a joint press conference after the summit. I do not wish to share a podium with Sepulveda. Do you have any ideas on how we can ensure that the US perspective is treated properly by the Mexican media?

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ASSESSMENT OF PRI-PRESIDENTIAL CANDIDATE SALINAS

Ambassador Pilliod recently met with Carlos Salinas de Gortari and has developed some impressions on the man and on what we can likely expect from his administration. You may wish to ask Ambassador Pilliod to discuss his views on Salinas, as well as, on how US actions in the coming months could influence the PRI candidate in his selection of a cabinet.

Attachments:

As stated

Drafted:ARA/MEX:DMLinskey 2/8/88; ext. 79292

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ARA/MEX:JJ St. John

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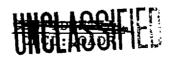
THE MEXICAN DEBT SWAP PROPOSAL

ិ§ummary: The debt swap proposal is a flexible and imaginative ്ഷ്ddition to the LDC debt menu and gives an unprecedented USG mprimatur to a scheme to repay debt below par. It is an Enteresting test of the viability of a market-based workout of gebt relief between creditors and LDC debtors, done with a 清解inimum of third-party involvement and quarantee. However, the Oprogram may stumble over the differing perceptions of Mexico and the banks of the discounts banks will offer. Two key variables are the discount at which the new bonds are expected to trade and the depth of banks' desire to exit from Mexican Mexico is working hard to make the proposal succeed; a failure would renew domestic pressure to reduce debt service by other means.

Will the Proposal Work?

The proposal remains as announced December 29. would be relieved of the obligation to make interest and principal payments on a portion of its existing bank debt. exchange, it will make interest payments on a new debt issue, the principal of which is in effect prepaid. The gain to Mexico depends primarily on the size of the discount banks offer, but it is also a function of future levels of LIBOR and assumptions concerning Mexico's ability to reschedule bank If Mexico assumes that it will be able to reschedule principal payments on its commercial bank debt indefinitely, it will need to receive a sizable discount -- on the order of 30 percent--just to break even. At lower exchange prices, however, the benefit to Mexico would rise substantially. exchange at 55 cents on the dollar, for instance, would be worth the equivalent of a \$2.5-\$5.5 billion lump sum payment to Mexico.

Crucial to the plan's success are the depth of the banks' desire to exit from Mexican debt holdings and the discount at which the new Mexican bonds are expected to trade. Most US banks will not offer their debt at 50 or 60 cents on the dollar if the new bonds are expected to be subject to further heavy discounting in the Eurobond market. Success thus depends greatly on the market's estimation of the likelihood of Mexico making interest payments over the next 20 years on the new bonds.



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There is no consensus within the financial community on the price at which the new bonds will trade in the secondary market. Treasury and Morgan Guaranty, for example, maintain that the new bonds will trade at close to par. Others, such as Salomon Brothers, argue that investors will assign the same risk premium to the (uncollateralized) interest payments on the new bonds as they do to interest on existing Mexican Eurobonds, which yield 17-18 percent. As a result, Salomon expects the bonds to trade below 70.

Mexico's Stake in the Program

The GOM hopes to use the debt service savings to counter domestic critics of the economic adjustment program begun in December. Mexico has set a February 19 deadline for bids and the initial results will be known shortly thereafter. March the GOM plans to begin the transition from its stabilization program of voluntary wage and price restraints and budget cuts to a more long-term regime. In Mexico, the USG is perceived as playing a major role in the debt swap proposal, which is viewed as part of our cooperation in efforts to manage the debt problem. A successful program would lend a needed popular boost to the electoral campaign of PRI candidate Carlos Salinas, who is closely identified with the unpopular austerity policies of the de la Madrid administration, and would reap some goodwill for the United States. As long as the proposal is not an obvious flop, it is in the GOM's interest to declare it a success.

If the debt/bond program stumbles because banks make few bids at discounts acceptable to Mexico, there will be renewed domestic pressure on the GOM to reduce debt service by some other means. President de la Madrid wants the debt/bond swap to demonstrate the rewards of the GOM's debt policy and show that creditors are making sacrifices along with Mexico. If the economic adjustment program fails to shrink the current 160 percent inflation rate, the GOM already has shown it may try to shift the blame to debt service and the earlier debt/equity swaps. The most likely scapegoats would be those banks which do not participate or make only token offers. It may be that the USG would get some of the onus if the program fails, as well.



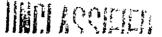
MEXICO'S ECONOMY -- AT A GLANCE

- The Mexican economy grew about 1.5 percent in real terms in 1987 but was plagued by several persistent problems.
 - -- In 1987 inflation reached 158.8 percent it was nearly 15 percent in December alone.
 - -- The government financial deficit rose from 16.3 percent in 1986 to an estimated 17 percent in 1987.
 - -- The stock market collapsed in October/November.
 - -- After considerable capital repatriation (an estimated \$3-4 billion was repatriated from late 1986 through mid-1987), about \$2 billion was expatriated in the last quarter of 1987. This lead to the floating of the "free" peso in November and the devaluation of the "controlled" peso in December. (Capital flight appeared to have disappeared in January 1988 as Mexico's domestic interest rates soared.) About 2,204 "controlled" pesos were needed to buy a US dollar at the end of 1987 versus about 921 at the end of 1986, an increase of nearly 140 percent.
 - -- President de la Madrid was joined by representatives of labor and the private sector in mid-December in announcing an Economic Solidarity Pact to cope with Mexico's economic problems. Among other things the Pact increased the minimum wage by 38 percent but also increase the prices of a number of government goods and services (i.e. fuel, electricity, telephone service and transportation). Key to the success of the Pact is the ability of the Government to reduce its deficit.
 - -- Mexico's foreign reserves reached record high levels in 1987 thanks in large part to the strength of Mexico's external trade surplus. Its strong reserve position permitted a plan aimed at reducing the amount of its external debt and debt service. The plan uses U.S. Treasury bonds as collateral for Mexican government bonds.
 - -- Mexico continued moves to restructure its economy in 1987. The most remarkable changes were seen in the trade policy area: tariffs and import licenses were slashed while official reference prices were eliminated entirely. Mexico and the U.S. signed a Framework Understanding in November which enables each side to call for consultations on a broad range of trade and investment matters. In addition, the authorities continued to reduce the number of parastatal enterprises.

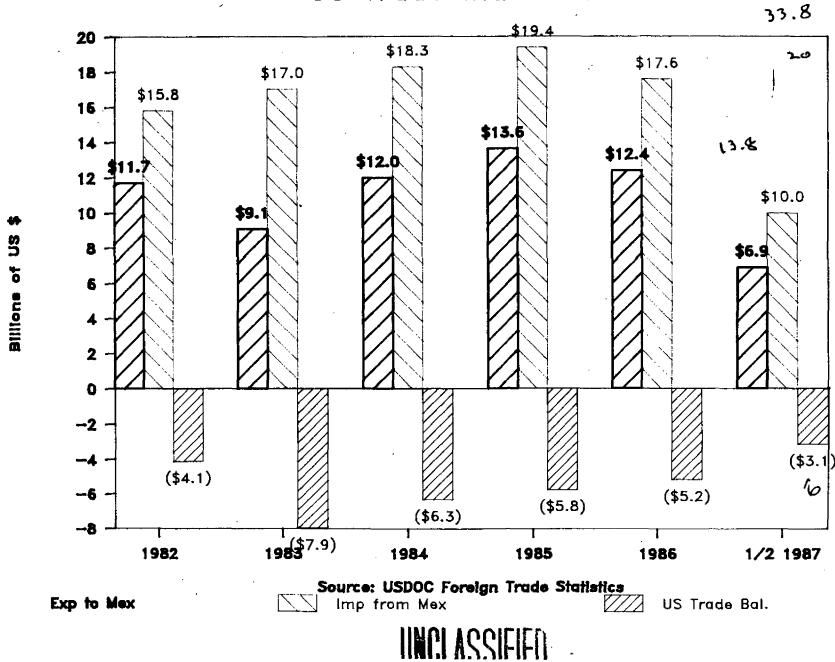
ECONOMIC DATA TABLE -- MEXICO

Population (1987): 82.0 million Rate of Population Growth: 1.9 percent Life Expectancy (1985): 67 years Literacy Rate (1983): 87.9% Infant Mortality (1985): 50 per 1,000		1987 GDP (1): \$US 128 billion GDP per capita (1): \$1561 Composition of GDP (1985): Services 62.2%, Manufacturing 24.6%, Agriculture 9.4%, Mining (includes oil) 3.8%				
infanc northality (1900). So por 1900	1983	1984	1985	1986	1987 Proj.	
1. ECONOMIC INDICATORS:		<u> </u>	<u> </u>		2507 110	
la. Real GDP (percent change)	-5.3	. 3.7	2.7	-3.8	1,5	
lb. Real GDP Per Capita (percent change)	-7.2	1.6	1.3	-5.7	-1.1	
lc. Consumer Price Index (Dec Dec.)	80.8	59.2	63.7	105.7	158.8	
ld. Unemployment (% of workforce)	7.8	6.5	13.4	17.8	18.0	
le. Total Investment as percent of GDP	20.3	21.6	21.4	20.6	21.6	
•						
2. FISCAL INDICATORS:	42.0	43.6	40.4			
2a. Public Sector Expenditures as pct of GDP	43.9	41.6	42.4	46.8	49.1	
2b. Government Financial Deficit (% of GDP)	9.8	8.6	9.9	16.3	17.0	
3. BALANCE OF PAYMENTS:						
3a. Exports to US FOB (\$ billion)	13.0	14.6	14.0	10.7	12.0	
3b. Imports from US CIF (\$ billion)	5.0	6.7	8.8	7.7	9.3	
3c. Trade Balance with US (\$ billion)	8.0	7.9	5.2	3.0	2.7	
3d. Total Exports FOB (\$ billion)	23.1	25.4	22.9	17.3	19.0	
3e. Total Imports CIF (\$ billion)	8.5	11.3	13.2	11.4	12.5	
3f. Merchandise Trade Balance (\$ billion)	14.6	14.1	9.7	5.9	6.5	
3g. Current Account Balance (\$ billion)	5.3	4.2	0.7	-1.3	3.1	
39. Cuttent Account Balance (p billion)	5.5	4.2	0.7	-1.3	3.1	
4. EXTERNAL DEBT:						
4a. Gross External Debt (\$ billion)	93.1	96.2	97.4	101.0	105.0	
4b. Gross Debt as percent of GDP	65.2	55.0	60.5	79.5	82.0	
4c. Debt Service Due as percent of exports	49.9	43.9	48.8	71.3	75.8	
4d. Interest Due as percent of exports	25.4	25.2	24.2	26.4	21.6	
4e. Interest Paid as percent of exports	25.4	25.2	24.2	26.0	21.1	
4f. Exchange Rate (pesos/\$, period average)	120.1	167.8	256.9	611.8	1,365	
4g. Total Reserves minus gold (\$ million)	3,913	7,272	4,906	5,670	13,500	
5 Poroign Aggigtange by Riggal Voar-				٠		
 Foreign Assistance, by Fiscal Year: 5a. US Economic assistance (\$ million) (2) 	0	0	0	0	^	
				0	0	
5b. US Military assistance (\$ million)	0.1	0.2	0.2	0.2	0.2	
5c. Total Foreign Assistance (net, \$ million)	132	83	145	N/A	N/A	

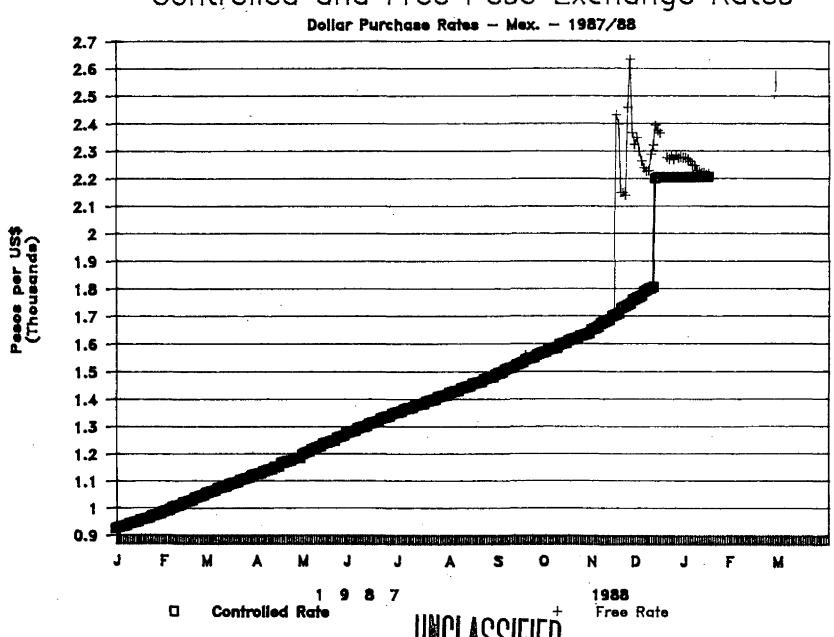
⁽¹⁾ Data are derived and as such are subject to exchange rate fluctuations.(2) Includes ESF, DA and PL 480.



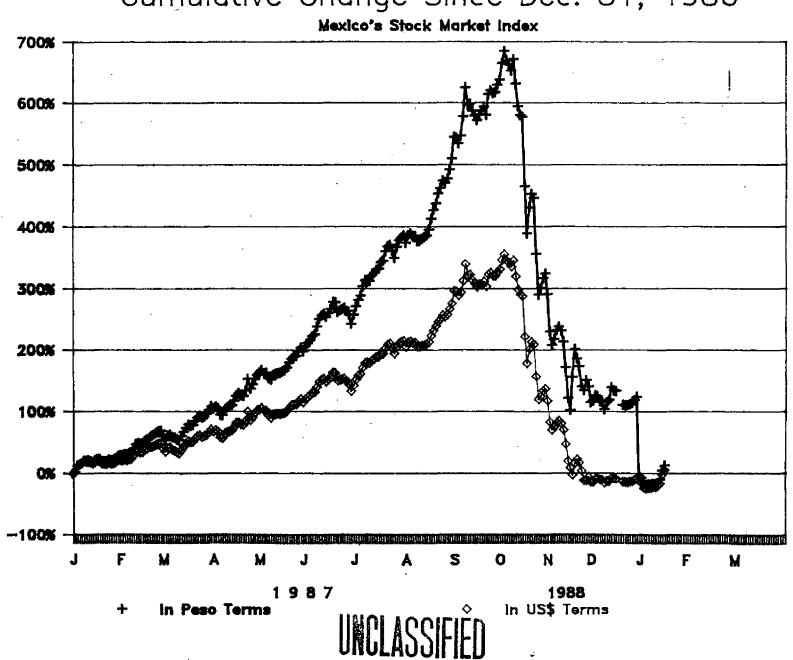
US Trade with Mexico



Controlled and Free Peso Exchange Rates



Cumulative Change Since Dec. 31, 1986





United States Department of State

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Washington, D. C. 20520

BRIEFING MEMORANDUM S/S

The Secretary

FROM:

TO:

ARA - Elliott Abrams

SUBJECT:

Briefing the President for his Visit to Mexico

FOIA Exemptions.
PA Exemptions.

I. <u>SETTING</u>

- De la Madrid faces ongoing economic crisis. Inflation 160% and climbing, labor unhappy with declining real income, interest on domestic debt exacerbating public sector deficit - 18% of GNP.
- o De la Madrid has drastically cut government operating and investment budget, frozen government employment, despite election year pressures to expand economy.
- o December Economic Solidarity Pact buys time, but unless inflation declines significantly, labor/business pressures for wage/price increases, radical measures, will build just months before July Presidential election.
- o Popularity of de la Madrid's handpicked successor, Carlos <u>Salinas</u> de Gortari, suffering from his identification with GOM austerity policies. Campaign off to shaky start. Salinas certain to win, but perhaps with voter absenteeism, electoral fraud.
- o Despite pressures, de la Madrid remains committed to major structural economic reform, responsible foreign debt policy, export-led strategy; Needs our help.
- o Salinas campaigning on platform of continued economic modernization, more open political system. Says Mexico must deal with its narcotics trafficking problem. Has avoided foreign policy issues.





II. Bilateral Relations

- Relations mix of close, productive dialogue, excellent economic, border cooperation, tense problems over drugs, Central America, other foreign policy issues, frequent misunderstandings, mutual suspicions.
- O Cooperative tone the two Presidents set in previous meetings has resulted in Framework Understanding on Trade and Investment, MLAT, textile agreement, financial and debt cooperation, and substantial progress on CIVAIR and communications agreements, all in past six months.
- De la Madrid is concerned US will use economic, political leverage to pressure Mexico on foreign policy, drug issues. Worries US pressures and criticisms could become election campaign issues wants positive, harmonious Summit meeting. So do we.

III. Critical Role of Narcotics Issue

- o In past year, Mexico has increased anti-drug resources, improved its eradication results, signed with us a Mutual Legal Assistance Treaty, arrested major traffickers, and increased cooperation on interdicting drug shipments.
- o Nevertheless, drug flows sharply increasing, and trafficking networks expanding. Some concern that Mexico could turn into another Colombia.
- O Narcotics is ticking time bomb in relations.

 President must submit determination to Congress by
 March 1 on whether Mexico and others are "fully
 cooperating" with us on drugs.
- Despite Mexico's considerable effort, certification is in jeopardy because results are unsatisfactory. Apparent lack of political will, mismanagement, and corruption undermine efforts.
- o Even if President certifies Mexico as fully cooperating country, some in Congress may seek to override, require us to invoke sanctions.
- o The political stigma of denying certification would seriously damage bilateral relations, make US major issue in Mexican election, reverse positive momentum, reduce freedom of incoming Mexican Administration to cooperate with us.
- o Persuading de la Madrid to take strong, visible and timely measures to strengthen anti-narcotics programs is most important objective of Presidential meeting.





IV. OTHER MAJOR US OBJECTIVES

o Soften Mexican policies in Central America and on other foreign policy issues.

--Little prospect of favorable changes in Mexican policy while Sepulveda is Foreign Secretary.

--Mexico's influence in Central America waning. They have little to offer; we want to keep them on margin.

effort to modernize Mexican economy, overcome economic problems, maintain political stability.

--US policies on debt, trade, investment, border matters are all favorable to bilateral cooperation, and support Mexican economic recovery and reforms. We want to keep momentum going at Summit, bolster Mexican confidence, encourage them to stay the course.

- o Give impetus to early completion of negotiations in progress: CIVAIR, Search and Rescue, communications.
- o Publicly, we intend to spotlight impressive list of recent bilateral accomplishments via President's public comments, your press conference, signing of textile, telecommunications agreements.
- o Persuade de la Madrid to prevent expansion of Soviet presence and activities in Mexico directed at US.

--Although Mexicans deny it, Soviets pressing to open consulate near US border.

V. US STYLE AT THE SUMMIT

- o Given the tremendous progress in relations reflected in recent major agreements, Summit can be friendly, highly favorable image booster for both Presidents, demonstrating ability to discuss, cooperate, resolve mutual problems.
- o Public statements and appearances will play the crucial role in this.
- o Frank, open discussions in private meetings on tough subjects have become the custom for both governments. If done with mutual respect, effort to understand and accommodate other side's interests, further progress is realistic expectation for the meeting.





Talking Points

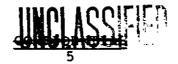
SETTING

- -- This is an important meeting. De la Madrid under great economic pressure, waging courageous effort to profoundly reform Mexico's economy, at considerable cost to his political popularity.
- -- He deserves credit for bringing Mexico through 1982 debt crisis (which he inherited), the disastrous 1985 Mexico City earthquake, and 1986 oil price collapse, with remarkably little political and social disorder.
- -- His certain successor, Carlos Salinas de Gortari's election campaign off to slow start. But he seems committed to continuing Mexico's economic/political modernization, says Mexico must deal with drug problem.
- -- How we conduct meeting will affect political climate in Mexico and prospects for continued progress and close cooperation between your successor and incoming Mexican Salinas Administration.

O TREMENDOUS PROGRESS IN ECONOMIC RELATIONS

- -- We can be proud of the tremendous progress in US-Mexican economic relations during your and de la Madrid's terms in office. Mexicans overcoming fears of formal agreements with US. Impressive list of agreements and accomplishments.
- -- Mexican GATT Accession and Bilateral Framework
 Understanding on Trade and Investment provide vehicles
 for major expansion of bilateral trade and investment
 relations, consistent with your interest in stronger
 North America trade ties.
- -- We can use this meeting to keep progress moving and to avoid a lame-duck attitude by officials of either side.
- -- Mexicans are managing their external debt problem responsibly; will continue to need our support.
- Your public statements should highlight positive accomplishments of past five years, urge continued progress, cooperation, in final year for both of you.

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PROBLEM AREAS

- In past year, Mexico has increased anti-drug resources, improved its eradication results, signed with us a Mutual Legal Assistance Treaty, arrested major traffickers, and increased cooperation on interdicting drug shipments.
- -- Nevertheless, despite considerable costs in resources, lives, Mexican anti-drug programs viewed by many as inadequate. Traffickers and drug producers gaining ground. Some fear Mexico could turn into another Colombia.
- -- Program undermined by mismanagement, corruption, apparent lack of political will to take tough, dangerous measures needed to reduce trafficking and production.
- By March 1 you must certify to Congress whether major drug producing countries, including Mexico, are fully cooperating with us. Some in Congress will seek to overturn a positive certification on Mexico.
- Stigma of denying certification would create political furor in Mexico, set back narcotics cooperation, make US major issue in Mexican election campaign, and reduce freedom of incoming Salinas Administration to cooperate with us.
- -- Need to persuade de la Madrid to take stronger, visible actions to demonstrate will and ability to win drug war. This will be a major focus of your private meeting with him.
- -- You will have an aide-memoire to give him, outlining some specific actions to visibly strengthen Mexican program, ensure certification.



OTHER MAJOR ISSUES

- -- Mexicans continue to disagree with our approach in Central America, and are not helpful. But their influence and Contadora's waning. Not much GOM can do for us and we want to keep them on the margin, work around their occasional unhelpful activities.
- -- Therefore, suggest we minimize discussion of subject, not ask Mexicans for changes they won't make, help they won't give. But be alert to prospects for more favorable approach by incoming Mexican administration.
- -- With regard to Congressional vote on aid to the Nicaraguan Resistance, you will want to stress to de la Madrid that you are determined to continue support for the Resistance and for the peace process.
- -- Soviets are working to expand presence in Mexico, targeted against US. Need to strongly urge de la Madrid to continue resisting such pressures.
- -- Immigration reform legislation has not created bilateral problem we and Mexicans feared. We are engaging in a two-part dialogue Working Group on Border Matters, and Congressionally appointed "Commission for Study of International Migration and Development."
- -- Population movements and employment will continue to be major mutual concerns, and we should encourage the dialogue on these subjects and seek ways to ameliorate and control illegal immigration. Mexicans seem prepared to cooperate if there is something in it for them.



STRUCTURE OF-MEETING

- -- While you meet privately with de la Madrid, remainder of US and Mexican delegations will meet to discuss agenda items.
- -- Following your private meeting, you can meet with US delegation to compare notes, and then we will go to a working luncheon, to continue discussion of agenda items.
- -- Because of the importance of the public aspect of the meeting, I plan to brief the press on the visit following your departure to assure that the tremendous progress and accomplishments of your and de la Madrid's administrations, reflected in the meeting, are highlighted.

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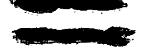
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TAGS: OVIP (REAGAN, RONALD)

SUBJECT: SITREP NUMBER 22 - FINAL WRAP-UP

REF: MEXICO 3075

- 1. THIS IS THE FINAL WRAP-UP CABLE IN OUR SERIES OF SIT-REPS CONCERNING THE FEBRUARY 13 MEETING IN MAZATLAN BETWEEN PRESIDENTS RONALD REAGAN AND MIGUEL DE LA MADRID.
- 2. SUMMARY: FROM THE PERSPECTIVE OF THE U.S. EMBASSY IN MEXICO, THE VISIT WAS SUCCESSFUL AND ACCOMPLISHED ITS MAJOR GOALS. WE HAVE EMERGED FROM THIS MEETING WITH RELATIONS BETWEEN THE TWO COUNTRIES AT THEIR HIGH POINT IN THE ADMINISTRATIONS OF PRESIDENTS REAGAN AND DE LA MADRID. MUCH INDEED HAS BEEN ACCOMPLISHED TO STRENGTHEN THE MEXICO-U.S. RELATIONSHIP OF WHICH BOTH PRESIDENTS AND BOTH COUNTRIES CAN BE JUSTIFIABLY PROUD. IN THE OPINION

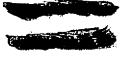


PAGE 02 MEXICO 03835 01 OF 02 182155Z

OF THIS EMBASSY, IF WE CAN MAINTAIN THESE POSITIVE FEELINGS AND THIS MUTUAL RESPECT AND AVOID ANY UNNECESSARY DE-STABILIZATION IN THE COMING MONTHS WE CAN VIRTUALLY ASSURE THAT THE NEXT PRESIDENT OF MEXICO WILL

SELECT HIS CABINET MEMBERS FROM AMONG THOSE EXPERTS WHO WANT TO BUILD ON THE FOUNDATION WHICH THESE TWO LEADERS HAVE SET. END.SUMMARY

- 3. LOGISTICALLY ALL ARRANGEMENTS WERE SMOOTH. EMBASSY WOULD LIKE TO CONGRATULATE WHITE HOUSE LEAD ADVANCE STEVE TIEMANN WHO DID A MAGNIFICENT JOB, BOTH IN PLANNING ALL DETAILS OF THE VISIT, AND IN COORDINATING SMOOTHLY AND EFFECTIVELY WITH HIS MEXICAN COUNTERPARTS. THE COOPERATION WE RECEIVED FROM ALL LEVELS OF THE MEXICAN GOVERNMENT WAS OUTSTANDING. THEY OBVIOUSLY HAD TOP-DOWN INSTRUCTIONS TO BE FLEXIBLE AND FACILITATIVE. GOM PROTOCOL CHIEF AMBASSADOR PEDRO GONZALEZ RUBIO WAS PERSONALLY INVOLVED AND AVAILABLE TO MAKE DECISIONS OR TO GET FAST DECISIONS FROM MEXICO CITY AUTHORITIES WHEN NECESSARY.
- 4. SUBSTANTIVELY, ALTHOUGH THE COUNTERPART MEETING BEGAN ON A RATHER ACRIMONIOUS NOTE WITH SECRETARY SEPULVEDA DEPARTING FROM THE AGREED-UPON AGENDA TO EXPRESS HIS WISH TO DISCUSS THE TREATMENT OF MEXICANS IN THE U.S. AND BORDER LICENSING OF VEHICLES, SECRETARY SHULTZ RESTORED ORDER QUICKLY AND THE MEETING PROCEEDED AS PLANNED. PERHAPS FORTUITOUSLY, TIME WAS NOT SUFFICIENT TO DISCUSS ALL AGENDA ITEMS AND THE FOREIGN POLICY QUESTIONS WERE NOT DEALT WITH AT THE COUNTERPART LEVEL.
- 5. WHILE WE HAVE NOT HAD ACCESS TO THE DETAILED NOTES FROM THE TETE-A-TETE, AMBASSADOR PILLIOD, WHO ATTENDED



PAGE 03 MEXICO 03835 01 OF 02 182155Z

THE DEBRIEFING WITH THE PRESIDENT, REPORTED THAT THE TWO PRESIDENTS DISCUSSED DRUGS, THE MEXICAN ECONOMIC SOLIDARITY PACT, THE ZERO COUPON BOND SWAP AND IMMIGRATION REFORM. PRESIDENT REAGAN MADE CLEAR TO PRESIDENT DE LA MADRID OUR DEDICATION TO PEACE IN CENTRAL AMERICA, OUR CONTINUING SUPPORT FOR THE DEMOCRATIC RESISTANCE IN NICARAGUA, AND OUR CONCERNS THAT MEXICAN POLICY IS TOO ONE-SIDEDLY PRO-SANDINISTA. THE PRESIDENT REPORTED THAT PRESIDENT DE LA MADRID DID NOT RESPOND TO THE CHARACTERIZATION OF MEXICAN POLICY. PRESIDENT REAGAN INDICATED THAT HE WAS SURPRISED BY PRESIDENT DE LA MADRID'S STRONG STATEMENT ON DRUG TRAFFICKING AND CONSUMPTION.

6. COVERAGE OF THE VISIT BY THE MEXICAN MEDIA WAS EXTENSIVE, PROMINENT AND POSITIVE. USIS HAS SENT DAILY



MEDIA REACTION CABLES INDICATING THE SCOPE AND DEPTH OF THE REACTION. SUFFICE IT TO MENTION HERE THREE COLUMNS FROM THREE LARGE CIRCULATION NEWSPAPERS ONE ON THE LEFT - UNO-MAS-UNO, ONE IN THE MIDDLE LEFT.-EXCELSIOR, AND ONE IN THE MIDDLE RIGHT- EL SOL. LEFTIST NATIONALIST UNOMASUNO'S FEBRUARY 14 EDITORIAL SAID "IT SHOULD BE STRESSED THAT PROGRESS HAS BEEN ACHIEVED IN ECONOMIC AND FINANCIAL COOPERATION...ALL OF THIS IN THE CONTEXT OF THE REAGAN-DE LA MADRID RELATIONSHIP, MAINTAINED IN A CLIMATE OF CORDIALITY, DIGNITY AND MUTUAL RESPECT." EXCELSIOR'S COLUMNIST GARCIA SOLER NOTED "THE IMPORTANT THING IS THAT THE PRESIDENTS OF TWO NEIGHBORING AND SO DIFFERENT NATIONS CAN MEET, WITHOUT THINKING THAT THE WEAK ONE IS TOLD WHAT TO DO, OR THAT AUTONOMY CAN BE SUPPORTED ONLY BY OPEN AND NOISY CONFRONTATION." FINALLY EL SOL



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E.O. 12356; N/A TAGS: OVIP (REAGAN, RONALD) SUBJECT: SITREP NUMBER 22 - FINAL WRAP-UP

COLUMNIST JAVIER LOZADA SAID THAT THE MEETING "SET THE FOUNDATIONS FOR WHAT WILL BE MORE THAN A PEACEFUL COEXISTENCE DURING THE NEXT ADMINISTRATION IN BOTH COUNTRIES." POST BELIEVES THAT THIS EXCELLENT MEDIA TONE AND COVERAGE IS RESPONSIBLE IN PART TO THE CAREFUL AND THOROUGH SET OF PRESS INTERVIEWS AND BRIEFINGS AGREED TO BY ADMINISTRATION OFFICIALS.

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*** Current Handling Restrictions *** n/a

*** Current Classification ***



United States Department of State

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IN PART

BRIEFING MEMORANDUM S/S

TO:

The Secretary

FROM:

ARA - Elliott Abrams

SUBJECT:

The President's Trip to Mexico: Talking Points for the Plenary and the Working Luncheon Between

US and Mexican Delegations

SETTING

While President Reagan and President de la Madrid meet privately, the rest of the US and Mexican delegations, led by Secretary Sepulveda and you, will hold a plenary discussion. Sepulveda will lead off each agenda item. You may wish to give an initial response. Other delegation members can join in as appropriate.

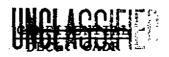
During the first several minutes of the plenary, Ambassador Yeutter and Trade Secretary Hernandez will be in an adjoining room signing a textile agreement, and Ambassador Pilliod will sign a telecommunications agreement. We suggest you and Sepulveda agree to defer the trade and investment items on the agenda until they rejoin the group.

When the President's private meeting and the plenary conclude, there will be 15 minutes for the Presidents to meet with their respective delegations, prior to the working luncheon. You can use this period to compare notes and decide what points to stress during the luncheon.

At the luncheon, we expect further discussion of agenda items already covered in the President's one-on-one and in the Plenary, as well as of agenda items not already covered.

Near the end of the luncheon, the Presidents will exchange substantive toasts with the media present.

Attached are talking points in agenda order for your use during the plenary and during the working luncheon. The President's talking points for the luncheon also are in agenda order, and are similar to yours.





The luncheon is the last bilateral event of the Summit. Your efforts in support of the President should be to steer discussion towards any priority objectives for this visit not yet achieved. Your two memoranda to the President laid out our objectives, and we have provided a checklist below.

CHECKLIST OF SUMMIT OBJECTIVES (in agenda order)

1. The Global Relationship

Objective. Highlight the tremendous accomplishments in relations during the past 5 years, demonstrating that a constructive, cooperative relationship -- including formal agreements -- is mutually beneficial.

The President's public statements should establish the right atmosphere, as will your press conference and the signing of two agreements during the meeting.

Objective. Arrive at an understanding, perhaps implicit, on follow-up action for the remaining months of the US and Mexican Administrations.

Neither side wants nor can afford a lame duck attitude.

Objective. Establish a basis for continuing the momentum of progress after new Presidents take office.

Salinas de Gortari's public statements reflect an intention to pursue the political and economic modernization of Mexico. He also seems well-disposed toward the United States. We want to convey US willingness to work with him for reciprocal advantage.

2. Economic Relations

Objective. Continued Mexican commitment to economic reforms, while preserving political/economic stability.

US support, particularly our cooperation in managing the debt problem, will bolster de la Madrid's confidence.

Objective. Commitment to vigorous use of the Framework Understanding and the GATT process to reduce barriers to trade and investment. An explicit joint commitment to this effect may be feasible.

If the President's vision of a North American free trade arrangement is mentioned, it would be well to put this clearly in context as a worthy goal for the future. Pushing too hard would strengthen those elements opposed to the closer relationship with the US toward which de la Madrid is leading Mexico.





Objective. Encourage the Mexicans to do more to improve the climate for private foreign and domestic investment.

Even though de la Madrid has said he will not change Mexico's investment law, much could be done to ease or remove performance requirements.

3. Narcotics

Objective. We want de la Madrid to understand the importance of this problem, and agree to give urgent consideration to the actions recommended in the aide-memoire the President will have given him. This is the most important objective of this Summit.

If we do not have a strong indication to this effect from de la Madrid by the time of the luncheon, the subject will require more discussion there.

4. Border and Immigration Affairs

Objective. Continuation of our excellent bilateral cooperation and dialogue on these subjects.

We want reaffirmation of the continued close cooperation and dialogue, but we <u>don't</u> want an overall "Border Commission", which might give the Mexican Foreign Relations Secretariat a greater, and probably unconstructive, role.

5. Central America

Objective. A more balanced Mexican approach on Central American issues.

We do not expect any breakthrough on this subject. However, in light of Sepulveda's contention that he didn't know about the name-calling content of the CIVS paper, he may be conciliatory on related subjects. If so, you might urge a concrete demonstration of willingness to be more balanced, such as in the UN Human Rights Commission. Contingency talking points on this are attached for a private aside with Sepulveda.



6. World Peace and Disarmamen

Background The Mexicans' insistence on this item reflects de la Madrid's involvement with five other heads of state on the disarmament issue through the Group of Six.

Objective Explain US policy and stress progress we have made with the Soviets.

Since President de la Madrid has considerable personal prestige invested in issue, he will want to be seen raising it with President Reagan. We suggest letting him make his points and then move on quickly to other issues.

7. Soviet Presence in Mexico

Background. This item is not on the agreed agenda, but we have recommended that the President raise it privately with de la Madrid.

Objective. Containment of Soviet efforts to expand their presence in Mexico, particularly for espionage.

This is <u>not</u> a subject to raise in the luncheon. We are planning to have Ambassador Pilliod follow up by discussing the matter with Secretary of Government Bartlett, who is responsible for domestic security and has a cooperative attitude, but who probably won't be at the summit meeting.

Conclusion.

The public face that is given to this visit could be as important as what is said in private. The President's substantive toast was drafted with this in mind, as well as to build a solid foundation for dealing with the future Salinas Administration.

Your press conference following the lunch will offer the final opportunity to set the public tone of the Summit and the overall state of US/Mexico relations. Moreover, it presents a chance to publicly lock in the Mexicans to any commitments they may have made during the course of the day. Positive GOM responses on narcotics for instance, if properly treated in the US and Mexican press, may stiffen GOM's resolve to fulfill them and quell some Congressional antipathy toward Mexico.

The press conference takes on even more importance when you recall that in 1983 Sepulveda sabotaged the highly successful La Paz Summit by putting a negative twist on his briefing of the Mexican press.

Attachment: Talking points

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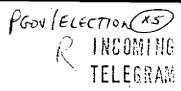
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REPPESENTATION SEATS WILL BE ALLOCATED AS FOLLOWS:

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ATTN: EDITOR PRESS RELEASE

FOR INFORMATION: MARK MORAN (202) 775-0743



PRESS OFFICE OF THE PRESIDENT OF MEXICO

FINAL RESULTS OF THE MEXICAN ELECTIONS

MEXICO CITY, July 18, 1988--Pollowing completion of the most complex and contested elections in the past 40 years, the government of Mexico has released final results of the vote count, which show a decisive, if close, victory by the Institutional Revolutionary Party, the political force which has governed Mexico peacefully for almost six decades. The PRI candidate for President of the Republic, Carlos Salinas de Gortari, won the Presidency with 50.4 percent of the total popular vote of approximately nineteen million, followed by Cuauhtemoc Cardenas of the National Democratic Front with 31.2 percent, and Manuel Clouthier of the National Action Party with 17.1 percent.

In elections for the Senate, the PAN and the National Pront won four of 64 seats, with the PRI capturing the remainder. It was the first time in the history of Mexico that the PRI had lost any Senate seats to the opposition. In the Chamber of Deputies, final results revealed that the opposition on both the left and the right had won a total of 51 of the 300 seats chosen by direct When added to the 150 proportional representation seats reserved in the Chamber for minority parties, opposition victories lifted them to the highest total in the Chamber since the Mexican revolution. A presidential spokesman called this a "watershed" in the political modernization of Mexico, noting that it was bound to make debate in the Chamber "more lively."

In 1986 and 1987, President Miguel de la Madrid promoted constitutional reforms intended to renovate and modernize Mexico's political system, which alone among the nations of Latin America had produced sixty years of political stability and peaceful change. The result of this reform effort was the 1987 Federal Electoral Code, based upon the principle of joint responsibility among citizens, political parties, and the government in the organization, conduct, and review of elections.

The spokesman indicated that the results of the current election vindicated President de la Madrid's strategy of gradual but steady political modernization. Calling opposition charges of irregularities "grossly exaggerated" and basically a "political tactic rather than a claim with true substance," the official cited the very closeness of the electoral results as evidence that the government had kept its promise to deliver free, clean, and fair elections. According to the spokesman, the initial delays experienced in tallying and reporting the votes did not represent an effort by the government to "engineer" the results of the election, but were rather the direct consequence of the fact that votes in Mexico must be counted by hand, as well as of the electoral reforms enacted under de la Madrid which significantly enhanced the rights of minority parties and their poll watchers to review and challenge electoral results at each stage of the process -- from the polling stations themselves to the state and national electoral commissions on which sit DEPARTMEN (VESTEASE representatives of all the political parties.

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"What would the press be saying now about the fairness of the elections if we had short-circuited these protections in an effort to report the results early on," he asked. Answering his own question, he replied that "You know they'd be charging us with ignoring the rights of the opposition to raise their challenges." "Sometimes you just can't win with the press regardless of how fair you try to be," he added.

In support of the government's position that the elections were the fairest in modern Mexico's history, the spokesman cited the following factors:

- * Statistics indicated that one or more opposition poll watchers were present at more than 99 percent of the 54,500 polling stations throughout the country. Those poll watchers participated in the vote count itself and were asked to sign the report of the polling station before results were transmitted to the district electoral commissions.
- * For the first time in Mexican history, the results of the vote at each polling station were required to be publicly displayed at that polling station, thereby greatly complicating the efforts of those who might attempt to alter the actual vote count.
- * The ballot boxes themselves were transluscent, as requested in the past by members of the opposition. In addition, the ballot boxes were actually assembled at the polling station by representatives of all of the parties, making ballot box stuffing virtually impossible to hide.
- * Opposition parties were represented not only at the polling stations, but at all levels of the electoral process where vote counting and authentication took place. Under the political reforms of President de la Madrid, the opposition participants could challenge vote counts at each of those levels.
- * Deliberations of the electoral commissions at the district and federal level were open to the press and the public. Despite opposition claims of irregularities, the challenges to the electoral process registered with these bodies have not been substantiated. These challenges are now being aired before the commissions in full view of the press, not decided in smoke-filled back rooms. While some challenges may be sustained, there is no evidence to indicate either that the majority of these challenges are correct or that they would in any way have altered the outcome of the elections as reported.
- * Again for the first time in Mexican history, every opposition party was given the same amount of free television and radio time on every public and private station in Mexico, without regard to the relevant party's size or past electoral success. Thus, even the smallest party received more than 51 hours of free air time over the past five months.

In concluding, the government spokesman noted that "Democracy is seldon perfect, but anyone that tries to be objective and is willing to look at the facts rather than the rhetoric has to admit that this election in Mexico has moved political modernization in this country along substantially. Much of the credit for that reform effort has to go to President de la Madrid and his administration."

PGOV: ELECTION

EMBASSY OF MEXICO

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29/88(1)

September 12, 1988

Carlos Galinas de Costasi Was Coelasid President-BALBET BY MELLICOTE GALBERYS

Carlos Salinas de Gortari, candidate of the Institutional Revolutionary Party (PRI) was declared President-Elect for the term 1988-1994 by Mexico's House of Representatives, functioning as Electoral College,

in a session that finished on Saturday, September 10, 1988.

The formal declaration was issued by the House of Representatives' President, once the majority of its members approved the assesment submitted by the Commission on Government and Constitutional Affairs. Such assesment was endorsed by 263 votes for and 65 against. In the debate, that lasted for more than 20 hours, a total of 68 congressmen representing all political parties, were registered as speakers.

The total of votes cast in favor of the new President-Elect, was of 9 million 687 thousand 926, which gave him 50.74 percent of all the votes

cast.

Cuauhtémoc Cárdenas-Solórzano, candidate of a coalition of parties called National Democratic Front (FDN), received 5 million 929 thousand 585 votes, or 31.06 percent.

Menuel J. Clouthier, condidate of the National Action Party (PAN), got

3 million 200 thousand 584 sufrages, with a percentaje of 16.81.

Magaña-Hegrete, standard-beerer of the Mexican Gumersindo Democratic Party (PDii) draw 190 thousand 891 votes, equivalent to 1 percent.

The candidate of the Workers' Revolutionary Party, . Rosario ibarra de Piedra, received 74 thousand 857 votes, which gave her 0.39 percent of the

votes.

The small differences between those totals and those preliminarily released by the Federal Electoral Commission on July 13, stem from those votes that were contested and submitted to the Federal Electoral Tribunal.

Mexico's President-Elect, Carlos Salinas de Gortari, will be sworn in on December 1st, 1968, to serve a single six-year term.

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UNCLAS SECTION O1 OF 02 MEXICO 18762

STATE FOR INM AND ARA/MEX

E.O. 12356: N/A TAGS: SNAR, MX

SUBJECT: FY 1990 INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT (INCSR) MID-YEAR UPDATE:

MEXICO

REF: STATE 178513

- 1. THIS CABLE PROVIDES EMBASSY CONTRIBUTION TO DEPARTMENT FY 1990 INCSR UPDATE TO CONGRESS.
- A. CROP CULTIVATION AND PRODUCTION: GOVERNMENT OF MEXICO (GOM) HAS NO RELIABLE ESTIMATE FOR NUMBER OF OPIUM POPPY AND MARIJUANA HECTARES UNDER CULTIVATION OR QUANTITY OF NARCOTICS PRODUCED. NEW DRUG FIELDS ARE FOUND AND DESTROYED THROUGHOUT THE YEAR.
- B. NEW POLICIES, PROGRAMS, INITIATIVES, PERSONNEL, SURVEYS: GOM CONTINUED MAJOR TURNAROUND IN ANTIDRUG WAR MADE UNDER SALINAS ADMINISTRATION. SPECIAL DEPUTY AG OFFICE FOR NARCOTICS AFFAIRS CREATED IN 1989 HAS BEEN EXTREMELY EFFECTIVE AND GREATLY IMPROVED BILATERAL UNCLASSIFIED

PAGE 02 MEXICO 18762 01 DF 02 1314192

WORKING RELATIONS. MEXICO HOSTED DAS MINISTERIAL DRUG



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USG AGREED IN PRINCIPLE TO NEW QUOTE RULES OF THE GAME UNQUOTE FOR DEA AGENTS IN MEXICO. AGREEMENT PROVIDES FOR ENHANCED DIPLOMATIC STATUS OF DEA AGENTS SERVING IN THE FIELD. USG ALSO AGREED IN PRINCIPLE, ON THE BASIS OF RECIPROCITY, THAT GOM CAN STATION FEDERAL JUDICIAL POLICE AGENTS AT ITS EMBASSY AND CONSULATES IN THE UNITED STATES. HOWEVER, SO FAR, THE GOM HAS NOT ENTERED INTO SPECIFIC TALKS WITH THE USG ON THIS ISSUE. GOM INITIATED NORTHERN BORDER RESPONSE FORCE (NBRF) INTERDICTION CAPABILITY WITH LIMITED RESOURCES RESULTING IN APPREHENSION OF SIX COCAINE-TRAFFICKING AIRCRAFT, OVER NINE METRIC TONS COCAINE, AND NUMEPOUS DRUG TRAFFICKERS. MEXICAN AG OFFICE (PGR) CONDUCTED BILATERAL ERADICATION VERIFICATION FLIGHTS ON AD HOC BASIS WITH NAU PERSONNEL.

PGR, NAU AND BELL HELICOPTER SERVICES, INC. NEGOTIATED ONE-YEAR EXTENSION TO AVIATION MAINTENANCE CONTRACT EFFECTIVE JULY 1, 1990. BUILDING CONSTRUCTION WAS INITIATED ON MAJOR PGR MAINTENANCE FACILITY IN GUADALAJARA. PGR BEGAN BUYING ITS OWN POL AND HERBICIDES AS PER AGREEMENTS WITH NAU.

C. STATUS ON ERADICATION EFFORTS: SPECIAL PGR
PRE-PLANTING SEASON ANTI-NARCOTICS CAMPAIGN BEGAN
NATIONWIDE JUNE 11 WITH LARGE NUMBERS OF RECONNAISSANCE
FLIGHTS, ERADICATION OF YOUNG ILLICIT CROPS, AND
DESTRUCTION OF DRUG SEEDBEDS BEFORE SEEDLINGS CAN BE
TRANSPLANTED TO PREPARED FIELDS.

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PAGE 03 MEXICO 18762 01 0F 02 1314192

- D. MID-YEAR ERADICATION STATISTICS: PGR REPORTED ERADICATING 1,741 HECTARES OPIUM POPPY AND 487 MARIJUANA JANUARY 1-JUNE 27, 1990. MEXICAN DEFENSE SECRETARY CLAIMED SEPARATELY THAT MILITARY MANUALLY ERADICATED 3,131 HECTARES OPIUM POPPY AND 1,196 MARIJUANA JANUARY 1-JULY 5, 1990.
- E. STATUS OF INTERDICTION EFFORTS: APPROXIMATELY 110 FEDERAL POLICE ASSISTED NATIONWIDE PRE-PLANTING SEASON CAMPAIGN BY INVESTIGATING OWNERSHIP OF SUSPECT FIELDS



IN FIRST GOM ATTEMPT TO LINK ILLICIT CROP ERADICATION WITH APPREHENSION OF SUSPECTED DRUG TRAFFICKERS.

POST AND GOM STUDIED ENLARGING NBRF INTERDICTION CAPABILITIES TO SEVEN PRIMARY OPERATIONAL AREAS SUPPORTING 21 MEDIUM HELICOPTERS AND FIVE TWIN-TURBO PROP AIRPLANES.

F. MID-YEAR SEIZURE STATISTICS: PGR REPORTED SEIZING 22,950 KGS. COCAINE, 300 TONS DRIED MARIJUANA, 228 KGS. OPIATES, 1,603 LAND VEHICLES, 34 AIRPLANES, 2 BOATS, AND 1,791 WEAPONS JANUARY 1-JUNE 27, 1990. MEXICAN LAW ENFORCEMENT OFFICIALS ARRESTED 6,720 PERSONS ON DRUG-RELATED CHARGES DURING SAME PERIOD, OF WHOM 4.032 WERE DETAINED. MEXICAN DEFENSE SECRETARY SEPARATELY REPORTED MILITARY SEIZING 1,976 KGS. COCAINE, 71 TONS MARIJUANA, 17 KGS. OPIUM GUM, 1 KG. HEROIN, 272 LAND VEHICLES, 6 AIRPLANES, AND 3,281 FIREARMS, APPREHENDING 723 INDIVIDUALS ON DRUG-RELATED CHARGES, AND DESTROYING 500 CLANDESTINE AIRSTRIPS JANUARY 1-JULY 5, 1990.

G. STATUS OF OTHER ENFORCEMENT EFFORTS: LEGAL INITIATIVES: MEXICAN LAW ENFORCEMENT OFFICIALS



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UNCLAS SECTION 02 OF 02 MEXICO 18762

STATE FOR INM AND ARA/MEX

E.O. 12356: N/A TAGS: SNAR, MX

SUBJECT: FY 1990 INTERNATIONAL NARCOTICS CONTROL - STRATEGY REPORT (INCSR) MID-YEAR UPDATE:

- MEXICO

ARRESTED FOLLOWING CLASS ONE DRUG VIOLATORS: RAFAEL CHAO LOPEZ, CORRUPT FORMER FEDERAL POLICE COMMANDER UNDER TWO PREVIOUS GOM ADMINISTRATIONS; MIGUEL ALDANA IBARRA, EX-DIRECTOR OF INTERPOL INDICTED BY U.S. FEDERAL GRAND JURY IN 1985 MURDER OF DEA AGENT CAMARENA; RIGOBERTO CAMPOS SALCIDO, FIRST COUSIN OF MANUEL SALCIDO, AKA "EL COCHILOCO"; FRANCISCO WESSON MUNOZ, NEPHEW OF MIGUEL ANGEL FELIX GALLARDO; ALFREDO MEDINA ESPINOZA, CESAR SOLOMON MONZON, AND RAMON VALENZUELA GARCIA, MAJOR TRAFFICKERS IN THE GUADALAJARA AREA; GERARDO REMY SR. . FUGITIVE FROM A FT. LAUDERDALE COURT CONVICTION FOR IMPORTING 1.000 KGS. OF COCAINE; AND RODOLFO GALLARDO ROBERT, SEIZED IN MEXICO CITY BEHIND 732 KGS. OF COCAINE. DANIEL JAMES FOWLEY, A MAJOR DRUG TRAFFICKER WANTED BY AN ORGANIZED CRIME DRUG TASK FORCE IN SANTA ANNA COUNTY: CALIFORNIA: WAS UNCLASSIFIED UNCLASSIFIED

PAGE 02

MEXICO 18762 02 0F 02 131419Z

EXTRADITED TO THE UNITED STATES JULY 2 AFTER FIGHTING EXTRADITION FROM MEXICO FOR THREE YEARS.



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GOM IMPLEMENTED NEW LAW COVERING LEGALITY OF ASSET

SEIZURES, RESULTING IN OVER ONE BILLION DOLLARS OF

NARCOTICS-RELATED ASSET FORFEITURES UNDER SALINAS. GOM

AND USG OFFICIALS SCHEDULED MONEY LAUNDERING COURSES

FOR INVESTIGATORS FROM THE MEXICAN TREASURY AND CENTRAL

BANK FOR LATE FY 1990. LAW GOVERNING FINANCIAL

INTERMEDIARIES PASSED IN DECEMBER 1989 HAS RESULTED IN

GREATER GOM EFFORT TO INVESTIGATE MONEY LAUNDERING

CASES AND STIFFER JAIL SENTENCES.

H. STATUS OF DRUG PREVENTION EFFORTS: INM DEMAND REDUCTION TRAINING WAS PROVIDED TO 29 MEXICAN PUBLIC AND PRIVATE SECTOR PROFESSIONALS. THESE INDIVIDUALS WILL TRAIN 100 OTHER MEXICAN PROFESSIONALS IN LATE FY 1990.

USG-FINANCED CIUDAD JUAREZ COMMUNITY DRUG DEMAND REDUCTION PILOT PROJECT WAS REPLICATED IN TIJUANA AND MONTERREY.

- I. MID YEAR DRUG ABUSE STATISTICS: CONTINUING ANALYSIS OF DATA FROM 1988 MEXICAN NATIONAL HOUSEHOLD DRUG ABUSE SURVEY INDICATES 4.8 PERCENT OF URBAN POPULATION BETWEEN 12 AND 65 YEARS OF AGE, OR 1,713,000 INDIVIDUALS, HAD TRIED ONE OR MORE DRUGS SURVEYED. MALES 15 TO 34 YEARS OLD ARE MOST LIKELY TO USE DRUGS. MARIJUANA REMAINS MOST COMMONLY ABUSED DRUG. SURVEY SHORT OF TOTAL PICTURE, HOWEVER, AS HOMELESS, JAILED PERSONS, AND TREATMENT FACILITY PATIENTS NOT INCLUDED.
- J. SUMMARY OUTLOOK FOR BALANCE OF 1989 AND 1990: UNCLASSIFIED UNCLASSIFIED

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EMBASSY EXPECTS GOM TO CONTINUE INTENSIFIED ANTI-NARCOTICS CAMPAIGN THAT HAS BECOME HALLMARK OF SALINAS ADMINISTRATION AND TO INCREASE BOTH BILATERAL AND INTERNATIONAL COOPERATION. LIMITED RESOURCES WILL BE A MAJOR CONSTRAINT ON GOM EFFORT. NEGROPONTE



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E.O. 12356: DECL: OADR PINR, PGOV, MX TAGS:

SUBJECT: INR INTELLIGENCE ASSESSMENT: MEXICO 01/03/94

- 1. ENTIRE TEXT IS S/NF/NC/OC
- 2. SUMMARY: THE ACTIVITIES OF INDIGENOUS GROUPS (LIKELY PREDECESSORS OF THE SHADOWY ZAPATISTA ARMY OF NATIONAL LIBERATION EEZLN)) HAVE TRIGGERED CONCERN AT THE HIGHEST LEVEL OF THE MEXICAN GOVERNMENT. THE GOVERNMENT

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WAS COMPLETELY SURPRISED BY THE NEW YEAR UPRISING. CONCERN OVER THE IMPACT OF POLITICAL UNREST ON NAFTA LED SALINAS TO DOWNPLAY REPORTS LAST SPRING OF AN INCIPIENT INSURGENCY IN THE CONFLICT-RIDDEN STATE OF CHIAPAS FOLLOWING THE MURDERS OF SEVERAL SOLDIERS.

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UNITED STATES DEPARTMENT OF STATE REVIEW AUTHORITY: JOHN L. MILLS DATE/CASE ID: 19 JUN 2002 200201227

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4. THE EZLN APPEARS TO BE A LARGELY INDIGENOUS, PEASANT GROUPING, THOUGH THE LEADERSHIP IS URBAN AND WELL-EDUCATED. IT ESPOUSES SOCIALISM AND SOCIAL JUSTICE FOR INDIGENOUS PEOPLES AND FARMERS. THERE ARE INDICATIONS THAT AN INDIGENOUS REBEL GROUP WHICH MAY BE THE EZLN EARLIER SOUGHT SUPPORT FROM GUATEMALAN GUERRILLAS, BUT THERE IS NO EVIDENCE THAT ANY SUPPORT WAS PROVIDED. END

SUMMARY

- 5. THE EZLN. THE EZLN APPEARS TO BE AN AMALGAMATION OF OTHER GROUPS THAT HAD PREVIOUSLY OPERATED UNDER OTHER NAMES. IT IS COMPOSED LARGELY OF INDIGENOUS PEOPLES FROM THE PRINCIPAL MAYAN-LANGUAGE SPEAKING GROUPS IN CHIAPAS, THOUGH THE LEADERSHIP APPEARS TO BE NON-INDIAN AND WELL-EDUCATED. REPORTS ON THE NUMBER OF COMBATANTS RANGE FROM 200 TO OVER 2000. THERE IS SOME EVIDENCE THAT REMNANTS OF THE CLANDESTINE REVOLUTIONARY WORKERS PARTY/UNION OF THE POOR FORM PART OF THE EZLN.
- 6. THE EZLN HOPES TO SPARK A NATION-WIDE, RURAL-BASED INSURRECTION AGAINST THE GOVERNMENT. BLENDING SOCIALIST IDEOLOGY WITH A PRO-INDIAN STANCE, THE GROUP CALLS FOR "ARMED REVOLUTIONARY STRUGGLE" BY A UNION OF INDIGENOUS

<u>andraw</u>

PAGE 03 STATE 009764 120329Z
PEOPLES AND FARMERS. THE EZLN STRUCK ON JANUARY 1 TO
DRAMATIZE ITS BELIEF THAT NAFTA AND CAPITALISM ARE
HARMING INDIGENOUS MEXICANS. THE EZLN CALLED THE SALINAS
GOVERNMENT "ILLEGITIMATE," AND DECLARED WAR ON THE ARMY.
ITS ACTION WAS INTENDED TO PROVOKE A HARSH RESPONSE THAT
WOULD DAMAGE THE GOVERNMENT'S IMAGE.

7. ROOT CAUSES. POVERTY AND LONGSTANDING INDIGENOUS GRIEVANCES OVER LAND AND TREATMENT BY THE AUTHORITIES ARE AT THE ROOT OF THE UNREST, BUT THE SUSPECTED MURDER OF TWO MEXICAN SOLDIERS BY INDIAN PEASANTS THIS SPRING INCREASED TENSIONS BETWEEN INDIGENOUS GROUPS AND THE GOVERNMENT. THE ARMY ROUND-UP OF INDIAN SUSPECTS GENERATED A WAVE OF HUMAN RIGHTS COMPLAINTS. IN LATE MARCH, PRESIDENT SALINAS ORDERED AN INVESTIGATION OF THE INCIDENT, WHICH CONCLUDED THAT INDIGENOUS RESIDENTS WERE RESPONSIBLE FOR THE MURDERS.

HE ALSO ORDERED AN INCREASED ARMY PRESENCE IN

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THE AREA. TWO SUSPECTS ADMITTED TO THE MURDERS, BUT THE BISHOP OF SAN CRISTOBAL DE LAS CASAS, SAMUEL RUIZ GARCIA, ACCUSED THE MILITARY OF COERCING THE CONFESSIONS.

8. IN LATE MAY A LIEUTENANT AND A SOLDIER WERE MURDERED NEAR OCOSINGO. EIGHT TZELTAL INDIANS AND TWO GUATEMALANS WERE ARRESTED. THE ARRESTS PROVOKED ALLEGATIONS OF HUMAN RIGHTS ABUSES BY THE ARMY. TROOPS LATER FOUND AN ARMED AND WELL-STOCKED INSURGENT CAMP IN THE AREA. CONCERNED OVER POTENTIAL UNREST, DEFENSE SECRETARY RIVIELLO ORDERED AN INVESTIGATION OF PEASANT ACTIVITY IN THE REGION. LAST SPRING THE ARMY REPORTEDLY DESTROYED AN INSURGENT CAMP AND FOUND WEAPONS, BUT THE GOVERNMENT DENIED PRESS

PAGE 04 STATE 009764 120329Z ACCOUNTS WHEN THE STORY BECAME PUBLIC IN AUGUST. THE UNREST IN CHIAPAS REACHED A POINT THIS SUMMER THAT THE

GOVERNOR CALLED FOR AN INCREASED ARMY PRESENCE TO DEAL WITH SUSPECTED GUATEMALAN INSURGENTS.

THE MEXICAN GOVERNMENT TOLD THE

VATICAN OF ITS CONCERN OVER POSSIBLE TIES BETWEEN THE
CLERGY AND GUERRILLA GROUPS IN MEXICO. IN JULY, THE
SECRETARY OF GOVERNMENT (THE FORMER GOVERNOR OF CHIAPAS)
SUMMONED RUIZ TO CAUTION HIM ON HIS HIGH PROFILE ADVOCACY
OF HUMAN RIGHTS CONCERNS ON BEHALF OF INDIGENOUS
PARISHIONERS. IN OCTOBER A LETTER FROM THE VATICAN TO
THE PAPAL NUNCIO CRITICIZING RUIZ FOR DOCTRINAL ERRORS
PROVOKED INTENSE PUBLIC DEBATE, THOUGH THE GOVERNMENT
SOUGHT TO DISTANCE ITSELF FROM THE DISPUTE.

10. TIES	TO THE URNG.	
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11.

THOUGH SOME PRESS

ACCOUNTS ALLEGE A CENTRAL AMERICAN CONNECTION, THE REBELS HAVE PUBLICLY DENIED TIES TO CENTRAL AMERICAN INSURGENTS AND TO NARCOTICS TRAFFICKERS. (SECRET) TARNOFF

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UNCLAS STATE 116295

ALL POSTS PLEASE PASS PAO; ROME ALSO FOR VATICAN

E.O. 12356: N/A TAGS: OPRC SUBJECT: ARA GUIDANCES, MAY 2, 1994

1. PRESS STATEMENT POSTED, FRIDAY, APRIL 29, 1994:

STATEMENT BY CHRISTINE SHELLY, ACTING SPOKESMAN

-HAITI: UNACCEPTABLE STEPS TOWARD RESOLVING THE CRISIS-

THE HAITIAN MILITARY IS PRESSURING THE PARLIAMENT TO PASS A RESOLUTION DECLARING THE PRESIDENCY VACANT BY INVOKING ARTIGLES 148 OR 149 OF THE HALFIAN CONSTITUTION. WE WOULD CONSIDER ANY SUCH MANEUVER ILLEGAL AND ILLEGITIMATE. SUCH ACTIONS -- EVEN IN RESPONSE TO INTIMIDATION BY ANTI-DEMOCRATIC FORCES -- WILL NOT LEAD TO THE EARLY LIFTING OF THE INTERNATIONAL SANCTIONS LEVIED AGAINST HAIT!.

THE MILITARY AUTHORITIES WHO HAVE USURPED POWER FROM THE PEOPLE MUST YIELD TO CIVILIAN AUTHORITY. THE HAITIAN PEOPLE UNDERSTAND THAT THE HAITIAN MILITARY LEADERSHIP IS RESPONSIBLE FOR THE INTERNATIONAL SANCTIONS AGAINST THEIR COUNTRY. THE SANCTIONS WILL REMAIN IN PLACE UNTIL THOSE IN THE MILITARY LEADERSHIP RESPONSIBLE FOR THE TERMINATION OF DEMOCRATIC RULE IN HAITI HAVE FULFILLED THEIR COMMITMENTS.

-ARTICLES 148 AND 149 OF THE HAITIAN CONSTITUTION-

ARTICLE 148: IF THE PRESIDENT FINDS IT TEMPORARILY IMPOSSIBLE TO DISCHARGE HIS DUTIES, THE EXECUTIVE AUTHORITY SHALL BE VESTED IN THE COUNCIL OF MINISTERS UNDER THE PRESIDENCY OF THE PRIME MINISTER, SO LONG AS THE DISABILITY CONTINUES.

ARTICLE 149: SHOULD THE OFFICE OF THE PRESIDENT OF THE REPUBLIC BECOME VACANT FOR ANY REASON, THE PRESIDENT OF THE SUPREME COURT OF THE REPUBLIC: OR IN HIS ABSENCE: THE VICE PRESIDENT OF THAT COURT, OR IN HIS ABSENCE, THE

JUDGE WITH THE HIGHEST SENIORITY AND SO ON BY ORDER OF SENIORITY, SHALL BE INVESTED TEMPORARILY WITH THE DUTIES OF THE PRESIDENT OF THE REPUBLIC BY THE NATIONAL ASSEMBLY DULY CONVENED BY THE PRIME MINISTER. THE ELECTION OF A NEW PRESIDENT FOR A NEW FIVE (6) YEAR TERM SHALL BE HELD AT LEAST FORTY-FIVE (45) AND NO MORE THAN WINETY (98) -DAYS AFTER THE VACANCY OCCURS, PURSUANT TO THE) CONSTITUTION AND THE ELECTORAL LAW.

ARA PREPARED PRESS GUIDANCES OF 5/2/94:

-GRENADA: U.S. EMBASSY CLOSING-

Q: WHY IS THE U.S. EMBASSY IN GRENADA BEING CLOSED?

THE UNITED STATES GOVERNMENT HAS HAD TO EXAMINE A NUMBER OF WAYS OF REDUCING FEDERAL SPENDING TO ADDRESS THE BUDGET DEFICIT. UNFORTUNATELY, THE DEPARTMENT OF STATE CANNOT CONTINUE TO STAFF AND FUND ALL OF ITS MISSIONS OVERSEAS BECAUSE OF THE HIGH COSTS OF MAINTAINING PERMANENT STAFF IN MANY COUNTRIES.

THE DEPARTMENT OF STATE HAS DETERMINED THAT IT WOULD BE POSSIBLE TO RETAIN DIPLOMATIC AND CONSULAR RELATIONSHIPS THROUGH REGIONALLY ACCREDITED AMBASSADORS AND STAFFS, AS WELL AS THROUGH CONSULAR AGENTS.

AFTER A LONG AND DIFFICULT EXAMINATION, THE DEPARTMENT HAS COME TO THE PAINFUL DECISION TO PROPOSE THE CLOSURE OF EMBASSY GRENADA.

WE PLAN TO TRANSFER RESPONSIBILITY FOR MAINTAINING OUR DIPLOMOTIC-REGATIONS WITH GRENADA TO OUR EMBASSY IN PRINCETON BARBADOS. WE ALSO PLAN TO ESTABLISH A CONSULAR BEINGY IN GRENADA.

THIS ACTION IS TO BE TAKEN ONLY IN RESPONSE TO BUDGETARY

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DEPARTMENT OF STATEO PARTMEN I CONFRENCE AND STATE 116295 B33945Z

FAGE 82 OF 84 STATE 116295 831945Z PRESSURES AND IN NO WAY REFLECTS ON GREHADIAN-AMERICAN RELATIONS OR ON THE COMMITMENT OF THE UNITED STATES COVERNMENT TO OUR FRIENDS IN THE REGION.

CURRENTLY THE PROPOSAL TO CLOSE THE EMBASSY IS BEFORE THE UNITED STATES CONGRESS, WHICH BY LAW HAS A 45-DAY PERIOD FOR REVIEW AND COMMENT.

THE DEPARTMENT NOTIFIED THE CONGRESS ON MARCH 29 OF ITS INTENT TO CLOSE THE POST, SO THAT THE 45 DAYS WOULD EXPIRE ON MAY 13. ACTUAL CLOSURE IS SCHEDULED FOR MID-JUNE.

- -LATIN AMERICA/CARIBBEAN: CLOSURE OF DIPLOMATIC POSTS-
- Q: ARE ANY OTHER POSTS IN LATIN AMERICA OR THE CARIBBEAN BEING CLOSED THIS YEAR?
- A: OUR EMBASSY IN ANTIGUA AND BARBUDA WILL BE CLOSED EFFECTIVE THIS SUMMER. EARLIER THIS YEAR WE CLOSED OUR CONSULATE IN MARACAIBO, VENEZUELA. DURING FISCAL YEAR 1993, WE CLOSED OUR CONSULATE IN MAZATLAN, MEXICO AND OUR CONSULATE GENERAL IN MARTINIQUE.

IN LIGHT OF THE NEED TO REDUCE FEDERAL SPENDING, WE ARE

LOOKING FOR NEW WAYS OF DOING BUSINESS, (AS STATED ABOVE) THROUGH REGIONALLY ACCREDITED AMBASSADORS AND STAFFS AND CONSULAR AGENTS.

- -COLOMBIA: STATE OF EMERGENCY-
- Q: WHAT IS YOUR REACTION TO PRESIDENT GAVIRIA'S DECLARING A STATE OF EMERGENCY TO PREVENT THE RELEASE OF 1,000 IMPRISONED GUERRILLAS, DRUG TRAFFICKERS AND OTHER DANGEROUS CRIMINALS?
- A: THE COLOMBIAN CONSTITUTION PERMITS THE PRESIDENT TO DECLARE A STATE OF INTERNAL COMMOTION TO DEAL WITH ACTUAL OR POTENTIAL DETERIORATION IN THE PUBLIC ORDER. THE DECLARATION IS ONLY FOR TEN DAYS AND SUSPENDS ONLY CERTAIN PROVISIONS OF THE CRIMINAL PROCEDURE CODE. THE PRESENT PENAL CODE IN COLOMBIA MANDATES RELEASE OF PRISONERS AFTER A PERIOD IF THEY ARE NOT ABLE TO BE PROCESSED BY THE JUDICIARY SYSTEM. AS A RESULT OF A BACKLOG OF CASES, THE COLOMBIANS WERE CONFRONTING A MANDATORY RELEASE OF THESE ALLEGED DRUG TRAFFICKERS, GUERRILLAS, AND DANGEROUS CRIMINALS. THE DECLARATION OF A STATE OF INTERNAL COMMOTION WAS MADE BY PRESIDENT GAVIRIA AFTER A MINISTERIAL MEETING THAT ADDRESSED THE POTENTIAL EFFECTS OF RELEASE OF THESE PERSONS, AND ENABLES THE JUDICIAL SYSTEM TO COPE WITH THEIR CASES.

WE UNDERSTAND THE GOVERNMENT OF COLOMBIA'S INTEREST IN INSURING THE SAFETY OF ITS CITIZENS AND ABOUT THE EFFECTS THE RELEASE OF THESE PRISONERS WOULD HAVE. WE WILL CONTINUE TO ENCOURAGE THE GOVERNMENT OF COLOMBIA TO FIND

A SOLUTION TO THE BACKLOG PROBLEM.

-HAITI: U.S. POLICY-

- Q: WHAT MAKES THE U.S. THINK ITS NEW PLAN FOR RESTORING ARISTIDE AND DEMOCRACY WILL WORK? HOW CAN THE U.S./U.N. PRESSURE THE HAITIAN MILITARY WHEN THE ARMY CONTROLS ALL THE AVENUES TO GET AROUND THE STIFFER SANCTIONS?
- A: WE BELIEVE THE SANCTIONS WILL GENERATE FURTHER PRESSURE FOR THE-MILITARY LEADERSHIP TO RELINQUISH POWER.

014072 WE ARE WORKING WITH THE GOVERNMENT OF THE DOMINICAN REPUBLIC ON WAYS TO HALT THE FUEL LEAKAGE ALONG THE DOMINICAN/HAITIAN BORDER.

THE DOMINICAN REPUBLIC HAS APPROACHED THE U.N. SECRETARIAT AND HAS ASKED FOR ASSISTANCE IN ESTABLISHING OBSERVERS ON THE BORDER. WE FULLY SUPPORT THIS PLAN.

DESPITE THE FUEL LEAKAGE, WE BELIEVE THE CURRENT SANCTIONS PUT SIGNIFICANT PRESSURE ON THE REGIME. BELIEVE THAT ADDITIONAL SANCTIONS WILL INCREASE THAT

- Q: IS THE U.S. CONSIDERING MILITARY INTERVENTION?
- A: WE ARE COMMITTED TO EXPLORING FULLY EVERY DIPLOMATIC OPTION IN OUR EFFORTS TO RESOLVE THIS CRISIS PEACEFULLY. THE ADMINISTRATION HAS RULED NOTHING OUT.

-HAITI: MASSACRE OF ARISTIDE SUPPORTERS-

- Q: IS IT TRUE THAT THE UN TEAM GOING TO " A NORTHERN VILLAGE" (LE BORGNE) TO INVESTIGATE AN INCIDENT WAS REFUSED ACCESS TO THE AREA? WHAT IS THE U.S. REACTION TO THE REBUFF?
- A: WE UNDERSTAND FROM OUR EMBASSY THAT THE ICM WAS INVESTIGATING AN INCIDENT NEAR LE BORGNE ON FRIDAY AND WAS UNABLE TO COMPLETE THE INVESTIGATION. OUR EMBASSY, WHICH IS IN REGULAR CONTACT WITH THE ICM, REPORTS THAT, DESPITE CONSIDERABLE CONFUSION AT THE SCENE, THE ICM WAS SNOT "REFUSED ACCESS" TO THAT AREA OR ANY OTHER. ACCORDING TO THE EMBASSY, THEIR INVESTIGATIONS CONTINUED ON SATURDAY.
- WE CALL ON THE HAITIAN MILITARY LEADERSHIP TO COOPERATE WITH THE ICM AND TO TAKE THE NECESSARY MEASURES TO ENSURE THEIR CONTINUED SAFETY.
- Q: WHAT IS THE ROLE OF THE FRAPH IN THE GONALVES MASSACRE AND OTHER ATTACKS ON ARISTIDE SUPPORTERS?
- A; OUR EMBASSY, THE ICM, AND HAITIAN HUMAN RIGHTS GROUPS ARE INVESTIGATING ACTIVELY THE EVENTS IN GONAIVES AND ELSEWHERE.

WE STRONGLY CONDEMN ACTS OF VIOLENCE AND INTINIDATION BY THE FRAPH OR ANY PARTY IN HAITI. WE SUPPORT INCREASING THE NUMBER OF INTERNATIONAL HUMAN RIGHTS OBSERVERS IN HAITI TO ACT AS A DETERRENT TO SUCH VIOLENCE. ONCE

DEMOCRACY IS RESTORED TO HAITI, WE WILL ALSO PROVIDE CONSIDERABLE AID IN THE AREA OF ADMINISTRATION OF JUSTICE AND POLICE TRAINING, PROGRAMS THAT WOULD GUARD AGAINST THIS TYPE OF VIOLENCE.

-HAITI: MILITARY REACTION TO NEW POLICY-

Q: HAS THE HAITIAN MILITARY REACTED TO THE NEW U.S.

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POLICY ESTACULARLY THE U.S. CALL FOR GREATER
THE WATTIAN MILITARY IS GENERALLY AWARE OF THE NEW
U.S. POLICY PROPOSALS; HOWEVER, TO DATE, WE HAVE HAD NO OFFICIAL REACTION TO THE POLICY, INCLUDING THAT PART WHICH CALLS FOR INCREASED SANCTIONS.

THE MILITARY AUTHORITIES WHO HAVE USURPED POWER FROM THE PEOPLE MUST YIELD TO CIVILIAN AUTHORITY. THE HAITIAN

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PEOPLE UNDERSTAND THAT THE HAITIAN MILITARY LEADERSHIP IS
RESPONSIBLE FOR THE INTERNATIONAL SANCTIONS AGAINST THEIR
COUNTRY. THE SANCTIONS WILL REMAIN IN PLACE UNTIL THOSE
IN THE MILITARY LEADERSHIP RESPONSIBLE FOR THE
TERMINATION OF DEMOCRATIC RULE IN HAITI HAVE FULFILLED
THEIR COMMITMENTS.

-MEXICO: ASSASSINATION OF TIJUANA POLICE CHIEF-

Q: WHAT CAN YOU TELL US ABOUT THE ASSASSINATION OF TIJUANA POLICE CHIEF JOSE FEDERICO BENITEZ? WAS IT CONNECTED TO THE COLOSIO ASSASSINATION? DOES THIS INDICATE A NEW WAVE OF VIOLENCE IN MEXICO?

A. THE CHIEF OF POLICE OF TIJUANA, JOSE FEDERICO BENITEZ LOPEZ, WAS ASSASSINATED ON APRIL 28 IN TIJUANA. THE MURDER WAS APPARENTLY A PROFESSIONAL HIT, AS BENITEZ WAS LURED TO THE AIRPORT BY A FALSE BOMB THREAT AND MURDERED ON HIS RETURN TO TIJUANA. HIS DRIVER/BODYGUARD, RAMON ALARID, WAS ALSO KILLED. BAJA CALIFORNIA STATE POLICE REPORTEDLY ARRESTED SIX SUSPECTS IN THE CASE.

WE HAVE NO INFORMATION WHICH WOULD SHED LIGHT ON THE POSSIBLE HOTIVES FOR THE MURDERS OF BENITEZ AND ALARID.

WE DO NOT SEE A SIGNIFICANT CHANGE IN THE SECURITY SITUATION IN MEXICO; WE SEE NO IMMINENT OR UNUSUAL DANGERS TO U.S. CITIZENS RESULTING FROM THE KILLINGS. WE ARE MONITORING THE SITUATION CLOSELY.

-MEXICO: PRESIDENTIAL ELECTIONS-

Q: CAN YOU GIVE US AN UPDATE ON THE PRESIDENTIAL ELECTIONS IN MEXICO?

A. RECENTLY PRI PRESIDENTIAL CANDIDATE ZEDILLO REITERATED AN OFFER HIS PREDECESSOR COLOSIO HAD MADE TO DEBATE HIS TWO MAIN RIVALS, PRO CAMBIDATE CARDENAS AND PAN CANDIDATE FERNANDEZ, OVER NATIONWIDE TELEVISION. THEY BOTH ACCEPTED THE OFFER AND ARE TALKING ABOUT AN EARLY DATE. ZEDILLO PROPOSED GROUND RULES SIMILAR TO U.S. PRESIDENTIAL DEBATES WITH A SINGLE NON-PARTISAN MODERATOR.

THE DEBATE, IF HELD, WOULD GO FAR TO STRENGTHEN MEXICAN DEMOCRACY BY ENABLING THE MEXICAN VOTERS TO COMPARE THE DIFFERENT PRESIDENTIAL CANDIDATES AND THEIR POLITICAL PROGRAMS.

(EYI: ZEDILLO'S OFFER TO BEBATE WAS ONLY EXTENDED TO HIS TWO MAIN OPPOSITION RIVALS, WHEREAS COLOSIO HAD ORIGINALLY PROPOSED A DEBATE AMONG ALL NINE OF MEXICO'S PRESIDENTIAL CANDIDATES.)

3. 10 PREPARED PRESS GUIDANCE OF 5/2/94:

-HAITI: SANCTIONS RESOLUTION-

Q: ANY UPDATE ON TALKS IN THE SECURITY COUNCIL?

A: LAST FRIBAY WE PROVIDED ALL COUNCIL MEMBERS A COPY OF THE DRAFT RESOLUTION. THE COUNCIL WILL MEET TO DISCUSS THE RESOLUTION AS EARLY AS TOMORROW.

4. RP PREPARED PRESS GUIDANCE OF 5/2/94:

-HAIT1: BOAT PEOPLE/IN-COUNTRY REFUGEE PROCESSING-

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Q. CAN YOU PROVIDE AN UPDATE ON THE HUMBER OF INTERDICTIONS OF HAITIAN BOAT PEOPLE? IS THERE A TREND EMERGING?

A. NO HATIANS HAVE BEEN PICKED UP DURING THE LAST 19 DAYS.

15 HAITIANS WERE PICKED UP BY THE COAST GUARD ON APRIL 21 AND REPATRIATED TO HAIT! ON APRIL 22. A FURTHER 98 WERE PICKED UP ON APRIL 22 AND REPATRIATED ON APRIL 25.

THESE WERE IN ADDITION TO THE 414 HAITIANS WHO WERE PICKED UP OFF THE FLORIDA COAST AND BROUGHT TO MIAMI FOR PROCESSING BY THE IMMIGRATION AND NATURAL FZATION SERVICE (INS).

11 OTHER VESSELS WITH SOME 625 HAITIAN MIGRANTS ON BOARD HAVE BEEN INTERDICTED SINCE THE BEGINNING OF THE YEAR. THEIR PASSENGERS HAVE BEEN REPAIRIATED TO HAIT!.

THIS BRINGS THE TOTAL NUMBER OF HAITIANS INTERDICTED BY THE COAST GUARD THIS YEAR TO APPROXIMATELY 1,152.

IT IS TOO SOON TO SAY WHETHER THESE RECENT INTERDICTIONS ARE THE BEGINNING OF AN INCREASED OUTFLOW OF BOAT PEOPLE. DURING THE LAST TWO YEARS, THERE HAVE BEEN PERIODIC INCREASES IN BOAT DEPARTURES.

A TOTAL OF 2.324 HAITIANS WERE PICKED UP AND RETURNED TO HAIT! DURING 1993.

Q. WILL HAITIAN BOAT PEOPLE CONTINUE TO BE REPATRIATED?

OUR POLICY OF DIRECT RETURN IS UNCHANGED.

WE WILL CONTINUE TO TAKE NECESSARY AND APPROPRIATE
ACTIONS TO PREVENT LOSS OF LIFE ON THE HIGH SEAS AND TO
DETER MASSIVE BOAT DEPARTURES IN UNSEAWORTHY VESSELS.

WE BELIEVE OUR IN-COUNTRY REFUGEE PROCESSING PROGRAM PROVIDES A SAFER ALTERNATIVE FOR HAITIANS WISHING TO SEEK REFUGEE STATUS.

Q. CAN YOU RUN THROUGH THE IN-COUNTRY PROCESSING STATISTICS?

A. SINCE THE BEGINNING OF THE IN-COUNTRY REFUGEE PROCESSING PROGRAM (FEBRUARY 1992), WE HAVE RECEIVED SOME 55,700 PRELIMINARY QUESTIONNAIRES.

WE ARE RECEIVING AN AVERAGE OF BETWEEN 58 AND 60 NEW QUESTIONNAIRES PER DAY.

THESE QUESTIONNAIRES ARE PRESCREENED BY STATE DEPARTMENT REFUGEE OFFICIALS AND BY VOLUNTARY AGENCY STAFF WHO DETERMINE WHETHER THE CASES ARE ELIGIBLE FOR FURTHER PROCESSING.

MANY APPLICANTS DO NOT MEET THE ELIGIBILITY REQUIREMENTS OF THE PROGRAM AND ARE NOT PROCESSED FURTHER.

THOSE CASES FOUND ELIGIBLE FOR PROCESSING CONSIDERATION ARE SCHEDULED FOR A CASE PRESENTATION INTERVIEW BY CASEWORKERS AT ONE OF THE THREE REFUGEE PROCESSING CENTERS. SUBSEQUENTLY, AN INS OFFICER PRIVATELY INTERVIEWS THE APPLICANTS AND MAKES THE FINAL COTTERN HATTON OF REFUGEE STATUS.

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PAGE 84 OF 84 STATE 116295 831945Z 814872 IMMIGRATION AND NATURALIZATION SERVICE (INS) OFFICERS

HAVE INTERVIEWED OVER 15,388 PERSONS. ALL HIGH PRIORITY CASES HAVE BEEN INTERVIEWED.

2,937 HAVE BEEN APPROVED FOR REFUGEE STATUS, 2,237 OF WHOM HAVE ALREADY ARRIVED IN THE UNITED STATES.

12,278 PERSONS HAVE BEEN DISAPPROVED FOR REFUGEE STATUS.

- Q. HAS THERE BEEN AN INCREASE IN THE APPROVAL RATE?
- A. THERE HAS BEEN A RECENT INCREASE IN THE APPROVAL RATE OF REFUGEES AT THE IN-COUNTRY REFUGEE PROCESSING CENTERS.

DURING THE FIRST 3 WEEKS OF APRIL, 187 OUT OF THE 559 CASES INTERVIEWED WERE APPROVED FOR REFUGEE STATUS. THIS IS AN APPROVAL RATE OF 19 PERCENT.

IN MARCH, AN AVERAGE OF 11 PERCENT OF CASES INTERVIEWED WERE APPROVED. PRIOR TO THAT THE AVERAGE APPROVAL RATE WAS BETWEEN 6 AND 8 PERCENT.

WE ATTRIBUTE THIS INCREASE TO BUR EFFORTS TO WORK MORE ACTIVELY WITH HUMAN RIGHTS GROUPS, MON-GOVERNMENTAL ORGANIZATIONS, CHURCH GROUPS, AND OTHERS.

IN JANUARY OF THIS YEAR, IN CONSULTATION WITH MEMBERS OF THESE GROUPS, WE REFINED THE CRITERIA TO BE USED TO IDENTIFY THOSE HAITIANS IN DANGER ANDIN NEED OF RESETTEEMENT IN THE U.S.

THESE CRITERIA ARE SENIOR AND MID-LEVEL ARISTIDE

GOVERNMENT OFFICIALS; CLOSE ARISTIDE ASSOCIATES;
JOURNALISTS, EDUCATIONAL ACTIVISTS, AND HIGH PROFILE
MEMBERS OF POLITICAL/DEVELOPMENT/SOCIAL ORGANIZATIONS WHO
HAVE EXPERIENCED SIGNIFICANT AND PERSISTENT HARASSMENT BY
THE DE FACTO AUTHORITIES, OR WHO HAVE A CREDIBLE FEAR
BECAUSE OF THEIR ACTIVITIES; AND OTHERS OF COMPELLING
CONCERN AND IN IMMEDIATE DANGER BECAUSE OF THEIR ACTUAL
OR PERCEIVED POLITICAL BELIEFS OR ACTIVITIES.

WE BELIEVE THAT, UNDER THIS ENHANCED SYSTEM, GENUINE REFUGEES HAVE AN IMPROVED CHANCE OF BEING IDENTIFIED QUICKLY.

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Date Printed: 04/15/1997

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E.O. 12356: DECL:OADR

TAGS: ETRD, EPET, EINV, EFIN, CU, MX, VE, UK, CA, FR

SUBJECT: MEXICO AND CUBA TO FORM JOINT COMPANY TO OPERATE

CIENFUEGOS REFINERY; FOREIGN OIL FIRMS SCRAMBLE FOR

RISK EXPLORATION CONTRACTS IN CUBAN WATERS

REFS: A) MEXICO 8536 (NOTAL), B) MEXICO 12233 (NOTAL)

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Date Printed: 04/15/1997

C) MEXICO 14524 (NOTAL)

- 1. (U) IN REF A WE REPORTED THAT MEXPETROL, A MEXICAN MIXED-CAPITAL ENTERPRISE IN INTERNATIONAL ENERGY DEVELOPMENT WAS ABOUT TO PURCHASE A SHARE OF THE CIENFUEGOS REFINERY. THE REPORT CONTAINED BACKGROUND ON THE PROPOSED AGREEMENT AND ON MEXPETROL, WHICH IS 35 PERCENT OWNED BY THE MEXICAN GOVERNMENT. THE LOCAL PRESS REPORTED THAT ON SEPTEMBER 20, MEXICAN SECRETARY OF FOREIGN RELATIONS, MANUEL TELLO, WOULD WITNESS THE SIGNING OF A JOINT VENTURE AGREEMENT BETWEEN MEXPETROL AND CUBA PETROLEOS (CUPET) TO REFURBISH AND OPERATE THE SOVIET-BUILT CIENFUEGOS REFINERY.
- 2. (U) THE 50/50 JV AGREEMENT REPORTEDLY WOULD CALL FOR AN INITIAL INVESTMENT OF USD 200 MILLION, OF WHICH USD 100 MILLION WOULD BE PROVIDED BY CUPET, USD 50 MILLION BY MEXPETROL AND USD 50 MILLION IN A DEBT-SWAP ARRANGED BY MEXICO'S STATE-OWNED FOREIGN TRADE BANK, BANCOMEXT. THE INVESTMENT WOULD REVITALIZE THE REFINERY, WHICH CURRENTLY IS ONLY PARTIALLY OPERATIONAL, BY CONSTRUCTING A CATALYTIC CRACKING UNIT AND A VACUUM PROCESSING TOWER. THE REFINERY WOULD BE DESIGNED TO PROCESS A MIXTURE OF

S PUDIDINI PUNA

PAGE 03 MEXICO 22551 210012Z HEAVY (MAYA) AND MEDIUM DENSITY (ISTMO) CRUDES FROM MEXICO AS WELL AS OTHER CRUDES.

- 3. (U) MEXICAN FOREIGN SECRETARY TELLO REPORTEDLY ALSO WOULD WITNESS THE SIGNING OF THE FORMAL AGREEMENT FOR THE PURCHASE OF A 49 PERCENT STAKE IN THE CUBAN TELECOMMUNICATIONS COMPANY (ETECSA) BY THE MEXICAN FIRM DOMOS INTERNATIONAL OF MONTERREY THROUGH ITS SUBSIDIARY CITEL. MEXICAN PRESIDENT SALINAS WITNESSES THE SIGNING OF THE LETTER OF INTENT FOR THE TELECOMMUNICATIONS VENTURE DURING HIS VISIT TO HAVANA LAST JUNE (REF B). BOTH THE REFINERY AND TELECOM AGREEMENTS, WHICH ARE BASED ON SWAPS OF CUBA'S DEBT TO MEXICO FOR INVESTMENT BY MEXICAN FIRMS, WOULD COMPLETELY ELIMINATE CUBA'S USD 313 MILLION DEBT WITH MEXICO (REF C).
- 6. (C) SEPARATE AND UNRELATED PRIVATE SECTOR SOURCES TOLD ENERGY ATTACHE OVER THE LAST TWO WEEKS OF "NEWS" REGARDING CUBA'S PETROLEUM SECTOR. ONE SOURCE SAID THAT THE FRENCH ENERGY COMPANY, TOTAL, HAS DISCOVERED A LARGE FIELD OF LIGHT CRUDE IN CUBA AND THAT ONE NEW WELL IS PRODUCING 6,000 BARRELS PER DAY. SUCH A PRODUCTION LEVEL, IF TRUE, WOULD MAKE CUBA ON OF THE LARGEST PER-WELL PRODUCERS IN THE HEMISPHERE. ANOTHER



DOC NUMBER: 94MEKICO22551

SOURCE COMMENTED THAT SEVERAL OTHER FOREIGN EXPLORATION COMPANIES HAD MADE RECENT DISCOVERIES OF LIGHT CRUDE IN CUBA AND THAT OFFICIAL ANNOUNCEMENTS WILL BE MADE IN THE NEXT FEW DAYS. OUR SOURCES INDICATE THAT THE RECENT EXPLORATION IN CUBA HAS BEEN AT A MUCH GREATER DEPTH THAN IN THE PAST.

7. (U) PRESS REPORTS INDICATE THAT CANADIAN NORTHWEST ENERGY COMPANY HAS MADE SOME RECENT CRUDE DISCOVERIES AND THAT BRASPETROL OF BRAZIL, TAURUS OF SWITZERLAND AND PREMIER OF THE

MYPODENETRY.

PAGE 04 MEXICO 22551 210012Z U.K. ARE IN THE PROCESS OF ENTERING INTO RISK-SHARING CONTRACTS WITH CUPET.

8. (C) COMMENT: UNTIL THE COLLAPSE OF THE SOVIET UNION, CUBA'S LARGEST SOURCE OF HARD CURRENCY WAS REFINED PETROLEUM PRODUCTS AND NOT SUGAR CANE. UNDER AN ARRANGEMENT WITH VENEZUELA, THE SOVIET UNION DELIVERED ABOUT 65,000 BARRELS OF CRUDE PER DAY TO A VENEZUELAN REFINERY IN GERMANY. VENEZUELA, IN TURN, DELIVERED AN EQUIVALENT AMOUNT OF CRUDE TO CUBA. THE SOVIET UNION AND VENEZUELA EACH SAVED BETWEEN 60 CENTS AND A DOLLAR PER BARREL IN TRANSPORTATION COSTS. CUBA REFINED THE CRUDE AND SOLD REFINED PRODUCTS IN THE CARIBBEAN MARKET FOR HARD CURRENCY. IF THE DEAL BETWEEN CUBA AND MEXICO COMES TO FRUITION, CUBA WILL GET A STRONG INJECTION OF HARD CURRENCY EARNINGS IN THE NOT TOO DISTANT FUTURE. END COMMENT.

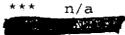


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C O N F I D E N T I A L SECTION 01 OF 02 HAVANA 006288

ROME ALSO FOR VATICAN LONDON FOR SICADE

E.O. 12356:

DECL: OADR

TAGS:

PGOV, ECON, PREL, EPET, CU

SUBJECT:

MEXICAN FOREIGN MINISTER'S VISIT TO CUBA

REF:

MEXICO 022551

HAVANA 01 OF 02 6288

1. (C) SUMMARY: SIGNING AN AGREEMENT BETWEEN THE CUBAN STATE OIL COMPANY AND A MEXICAN OIL CONSORTIUM TO RENOVATE AND OPERATE THE CIENFUEGOS OIL REFINERY WAS THE HIGHLIGHT OF MEXICAN FOREIGN MINISTER TELLO'S THREE-DAY VISIT TO CUBA. GOVERNMENT MEDIA ARE VALUING OVERALL MEXICAN INVESTMENT IN CUBA AT USD 1 BILLION. TELLO ALSO PUBLICLY REITERATED MEXICAN SUPPORT FOR CUBA'S ANTI-EMBARGO EFFORTS AT THE UNGA. END SUMMARY

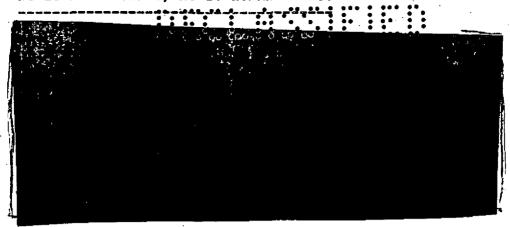
A BILLION DOLLAR VOTE OF CONFIDENCE

- 2. (U) MEXICAN FOREIGN MINISTER MANUEL TELLO PAID A THREE DAY VISIT TO CUBA SEPTEMBER 19-21 TO PARTICIPATE IN THE SIXTH IN THE ON-GOING SERIES OF THE CUBAN-MEXICAN INTERGOVERNMENTAL COMMISSION MEETINGS. DURING HIS STAY IN HAVANA TELLO MET WITH CUBAN PRESIDENT FIDEL CASTRO, COUNTERPART ROBERTO ROBAINA, NATIONAL ASSEMBLY PRESIDENT RICARDO ALARCON, AND OTHER RANKING OFFICIALS.
- (U) THE CUBAN PRESE TRUMPETED THE VISIT AS A MAJOR SUCCESS. BETWEEN THE SIX-YEAR USD 1.5 BILLION TELEPHONE - A 10650 AGREEMENT SIGNED IN JUNE, THE NEW INVESTMENT AT THE CIENFUEGOS OIL REFINERY, AND THE CANCELLATION OF CUBA'S

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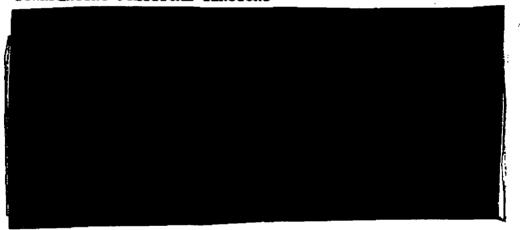
OVERALL NET MEXICAN INVESTMENT IN CUBA AT USD 1 BILLION.

NO TO THE EMBARGO; NO TO HUMAN RIGHTS



5. (U) FOREIGN MINISTER TELLO ANNOUNCED TO REPORTERS AT THE END OF THE VISIT THAT THE "CUBAN GOVERNMENT CAN COUNT ON MEXICO'S SUPPORT" FOR THE EMBARGO RESOLUTION THAT CUBA WILL SUBMIT TO THE UNGA AGAINST THE U.S. EMBARGO.

DOWNPLAYING POLITICAL TENSIONS



OIL: THE BIGGEST DEAL

7. (C) THE MEETINGS WERE PUBLICLY BILLED AS DEALING WITH ECONOMIC COMMERCIAL, SCIENTIFIC, AND TECHNOLOGICAL ISSUES,

THE ONLY AGREEMENT OF IMPORTANCE (DISCOUNTING THE SEPARATE JUNE AGREEMENT TO MODERNIZE CUBA'S TELEPHONE SYSTEM.) SIGNED DURING THE VISIT WAS RELATED TO PETROLEUM. IN THIS AGREEMENT, MEXICO WILL WORK WITH THE CUBAN STATE PETROLEUM COMPANY, "CUPET," TO RENOVATE THE CIENFUEGOS OIL REFINERY LOCATED ABOUT 200 MILES SOUTHEAST OF HAVANA. THE REFINERY'S OUTPUT OF PETROLEUM BY-PRODUCTS WILL INITIALLY BE SOLD DOMESTICALLY.

8. (C) IN THE DEAL, THE MEXICAN CONSORTIUM "MEXPETROL" WILL INVEST USD 100 MILLION

HAVANA 02 OF 02 6288

SUBJECT:

RGOV, EGON, PREL, EPET, CU

MEXICAN FOREIGN MINISTER'S VISIT TO CUBA

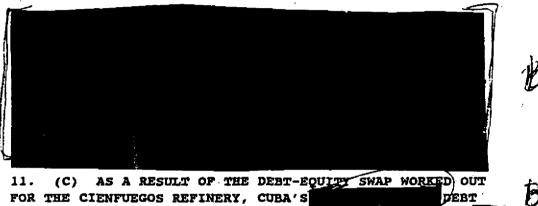
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AND THE CUBANS WILL MAKE AN EQUIVALENT USD 100 MILLION IN-KIND INVESTMENT BE IN THE FORM OF A TIEST SWAP

WHEN THE CLENFUE COS REFINERY, WHICH WILL BE ADAPTED TO PROCESS MEXICAN CRUDE FOR SALE EITHER IN CUBA OR ELSEWHERE IS BROUGHT UP TO SPEED, IT SHOULD BE ABLE TO PRODUCE 35,000 TONS OF FINAL PRODUCT EVERY SIX DAYS. THE LOW GRADE FUEL OIL PRODUCED BY THE REFINERY WILL BE SOLD DOMESTICALLY FOR USE BY CUBAN ELECTRICITY . GENERATING PLANTS AND SUGAR REFINERIES.

9. (C) THE REFINERY'S PRODUCTION OUTPUT WILL BE SOLD WITH THE PROCEEDS USED TO OFFSET CUBA'S USD 340 MILLION DEBT TO MEXICO UNTIL THE DEBT IS PAID OFF.

CLEARING THE BOOKS FOR MORE CREDITS



TO MEXICO WILL BE CLEARED OFF THE BOOKS.

AS A FOOTNOTE TO THE MEETING, THE TWO GOVERNMENTS RECIPROCALLY WAIVED VISA REQUIREMENTS FOR DIPLOMATS TRAVELLING TO EACH OTHER'S COUNTRIES. SULLIVAN

Date Printed: 04/15/1997

DOG NUMBER: 94HAVANA05288

HAVANA 06288 01 OF 02 2612322 PAGE 01

ACTION ARA-01

INFO LOG-00 AID-01 CEA-01 CIAE-00 SMEC-00 COME-00 CTME-00 OASY-00 DINT-01 DODE-00 DOEE-00 EB-01 EUR-01 EXIM-01 H-01 E-00FBIE-00 FRB-01 TEDE-00 INR-00 IO-16 ITC-01 LAB-01 L-01 ADS-00 MOFM-04 MOF-03 NSAE-00 NSCE-00 OES-09 OIC-02 OPIC-01 OMB-01 PA-01 PM-00 PRS-01 P-01 SC**T**-03 SNP-00 SP-00 SSO-00 SS-00 STR-01 TRSE-00 T-00 USIE-00 PMB-00 DRL-09 G-00 /064W

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SECTION 01 OF 02 HAVANA 006288

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ROME ALSO FOR VATICAN LONDON FOR SICADE

E.O. 12356:

DECL: OADR

PAGE 02

HAVANA 06288 01 OF 02 261232Z

PGOV, ECON, PREL, EPET, CU TAGS:

SUBJECT:

MEXICAN FOREIGN MINISTER'S VISIT TO CUBA

REF:

SUMMARY: SIGNING AN AGREEMENT BETWEEN THE CUBAN STATE OIL COMPANY AND A MEXICAN OIL CONSORTIUM TO RENOVATE AND OPERATE THE CIENFUEGOS OIL REFINERY WAS THE HIGHLIGHT OF MEXICAN FOREIGN MINISTER TELLO'S THREE-DAY VISIT TO CUBA. GOVERNMENT MEDIA ARE VALUING OVERALL

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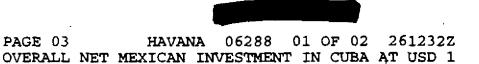
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MEXICAN INVESTMENT IN CUBA AT USD 1 BILLION. PUBLICLY REITERATED MEXICAN SUPPORT FOR CUBA'S ANTI-EMBARGO EFFORTS AT THE UNGA. END SUMMARY

A BILLION DOLLAR VOTE OF CONFIDENCE

- (U) MEXICAN FOREIGN MINISTER MANUEL TELLO PAID A THREE DAY VISIT TO CUBA SEPTEMBER 19-21 TO PARTICIPATE IN THE SIXTH IN THE ON-GOING SERIES OF THE CUBAN-MEXICAN INTERGOVERNMENTAL COMMISSION MEETINGS. DURING HIS STAY IN HAVANA TELLO MET WITH CUBAN PRESIDENT FIDEL CASTRO, COUNTERPART ROBERTO ROBAINA, NATIONAL ASSEMBLY PRESIDENT RICARDO ALARCON, AND OTHER RANKING OFFICIALS.
- (U) THE CUBAN PRESS TRUMPETED THE VISIT AS A MAJOR SUCCESS. BETWEEN THE SIX-YEAR USD 1.5 BILLION TELEPHONE AGREEMENT SIGNED IN JUNE, THE NEW INVESTMENT AT THE CIENFUEGOS OIL REFINERY, AND THE CANCELLATION OF CUBA'S OUTSTANDING DEBT WITH MEXICO, THE CUBAN MEDIA VALUED



NO TO THE EMBARGO; NO TO HUMAN RIGHTS

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PAGE 03

BILLION.

(U) FOREIGN MINISTER TELLO ANNOUNCED TO REPORTERS AT THE END OF THE VISIT THAT THE "CUBAN GOVERNMENT CAN COUNT ON MEXICO'S SUPPORT FOR THE EMBARGO RESOLUTION THAT CUBA WILL SUBMIT TO THE UNGA AGAINST THE U.S.

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EMBARGO.

DOWNPLAYING POLITICAL TENSIONS

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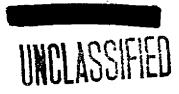
6.

OIL: THE BIGGEST DEAL

7. (C) ALTHOUGH THE MEETINGS WERE PUBLICLY BILLED AS DEALING WITH ECONOMIC, COMMERCIAL, SCIENTIFIC, AND TECHNOLOGICAL ISSUES,

THE ONLY AGREEMENT OF IMPORTANCE (DISCOUNTING THE SEPARATE JUNE AGREEMENT TO MODERNIZE CUBA'S TELEPHONE SYSTEM.) SIGNED DURING THE VISIT WAS RELATED TO PETROLEUM. IN THIS AGREEMENT, MEXICO WILL WORK WITH THE CUBAN STATE PETROLEUM COMPANY, "CUPET," TO RENOVATE THE CIENFUEGOS OIL REFINERY LOCATED ABOUT 200 MILES SOUTHEAST OF HAVANA. THE REFINERY'S OUTPUT OF PETROLEUM BY-PRODUCTS WILL INITIALLY BE SOLD DOMESTICALLY.

8. (C) IN THE DEAL, THE MEXICAN CONSORTIUM "MEXPETROL" WILL INVEST USD 100 MILLION FOR 49 PERCENT OF THE STOCK



Date Printed: 04/15/1997

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CHANNEL: n/a

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PAGE 01 HAVANA 06288 02 OF 02 261233Z

ACTION ARA-01

INFO LOG-00 AID-01 CEA-01 CIAE-00 SMEC-00 COME-00 CTME-00 OASY-00 DINT-01 DODE-00 DOEE-00 EB-01 EUR-01 EXIM-01 E-00 FBIE-00 FRB-01 H-01 TEDE-00 INR-00 IO-16 ITC-01 LAB-01 L-01 ADS-00 MOFM-04 MOF-03 NSAE-00 NSCE-00 OES-09 OIC-02 OMB-01 OPIC-01 PA-01 PM-00 PRS-01 P-01 SCT-03 SNP-00 SP-00 SSO-00 SS-00 STR-01 TRSE-00 T-00 USIE-00 PMB-00 DRL-09 G-00 /064W

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SECTION 02 OF 02 HAVANA 006288

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ROME ALSO FOR VATICAN LONDON FOR SICADE

E.O. 12356:

DECL: OADR

PAGE 02

HAVANA 06288 02 OF 02 261233Z

TAGS:

PGOV, ECON, PREL, EPET, CU

SUBJECT:

MEXICAN FOREIGN MINISTER'S VISIT TO CUBA

IN THE JOINT

VENTURE, AND THE CUBANS WILL MAKE AN

UNCLASSIFIED

EQUIVALENT USD 100 MILLION IN KIND INVESTMENT AND RETAIN A CONTROLLING 51 PERCENT OF THE OPERATION.

TWENTY PERCENT OF THE INVESTMENT WILL

BE IN THE FORM OF A DEBT SWAP,

J WHEN THE CIENFUEGOS REFINERY, WHICH WILL BE ADAPTED TO PROCESS MEXICAN CRUDE FOR SALE EITHER IN CUBA OR ELSEWHERE IS BROUGHT UP TO SPEED, IT SHOULD BE ABLE TO PRODUCE 35,000 TONS OF FINAL PRODUCT EVERY SIX DAYS. THE LOW GRADE FUEL OIL PRODUCED BY THE REFINERY WILL BE SOLD DOMESTICALLY FOR USE BY CUBAN ELECTRICITY GENERATING PLANTS AND SUGAR REFINERIES.

9. (C) THE REFINERY'S PRODUCTION OUTPUT WILL BE SOLD WITH THE PROCEEDS USED TO OFFSET CUBA'S USD 340 MILLION DEBT TO MEXICO UNTIL THE DEBT IS PAID OFF.

CLEARING THE BOOKS FOR MORE CREDITS

10. E

- 11. (C) AS A RESULT OF THE DEBT-EQUITY SWAP WORKED OUT FOR THE CIENFUEGOS REFINERY, CUBA'S USD 40 MILLION DEBT TO MEXICO WILL BE CLEARED OFF THE BOOKS. A FINAL USD 6 MILLION IN DEBT WILL BE SWAPPED FOR CONSTRUCTION BY THE VIDRIO GROUP OF MONTERREY TO BUILD A GLASS AND BOTTLING FACTORY IN LAS TUNAS, WITH THE OUTSTANDING DEBT FINALLY CLEARED THE RESULT, IS THAT MEXICO WILL SOON BE ABLE TO PROVIDE REVOLVING CREDITS TO THE CASTRO REGIME.
- 12. (U) AS A FOOTNOTE TO THE MEETING, THE TWO GOVERNMENTS RECIPROCALLY WAIVED VISA REQUIREMENTS FOR DIPLOMATS TRAVELLING TO EACH OTHER'S COUNTRIES. SULLIVAN



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United States Department of State

October 5, 1994

CONFIDENTIAL DECL: OADR

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TO:

ARA - Mr. Watson

FROM:

INR - Toby T. Gati

SUBJECT:

Mexico's Growing Economic and Commercial Interests in

Cuba

The recent visits of top Mexican officials and growing Mexican investments in Cuba reflect Mexico's interest in maintaining good relations with Havana and its rejection of US policy toward Cuba, especially the trade embargo. The recent upsurge in investment is the result of the GOM's desire to recoup non-performing Cuban debt and to help Mexican businessment establish a base in what the see as a potentially lucrative Cuban market.

Mexican commercial interests in Cuba have continued uninterrupted since the early 1950s, but the amount and pace 51 new investment has increased dramatically since Cuba's loss of up to \$6 billion in annual Soviet subsidies. A recent agreement to form a joint venture between the Cuban government and a Mexican oil consortium to own and operate Cuba's largest oil refinery will make Mexico Cuba's largest foreign investor. The deal will wipe out the remainder of Cuba's \$300-\$350 million debt to Mexico held by the government's export promotion bank, Bancomext, restoring Cuba's access to much-needed revolving credits. Mexico sells oil products to Cuba through 30-day letters of credit--sales totaled \$92 million in 1993. addition to obtaining significant debt relief, Havana has an opportunity to portray itself as a reliable business partner while seeking badly needed new foreign investment.

Bad debts. The Mexican government has been anxious to settle Cuba's outstanding debt, which was essentially uncollectible; it was restructured four times during 1982-1991, but Cuba still defaulted. Officials insist the investments and debt-swaps are on strictly commercial terms. Under the debt-for-equity swap program, designed to entice Mexican firms to invest in Cuba, over 200, mostly small, companies have taken advantage of the favorable terms. Though they do not expect to make much money in the short term, Mexican businessmen, looking at Cuba's long-term profit potential, want to pre-position

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themselves, along with Canadian, Spanish, and other European investors, for the anticipated post-embargo boom. They are betting that when the US decides to get back into Cuba, it will be too late.

Oil deal. Under the refinery agreement, signed during Mexican Foreign Minister Tello's September 19-21 visit to Havana, Mexpetrol, partially owned by Pemex, the Mexican government oil monopoly, will invest \$100 million--\$50 million in the form of a Bancomext debt-for-equity swap-

will renovate the plant, constructing new cracking units that can handle grades of Mexican crude the refinery cannot now process. Pemex Director Fernando Rojos told the press the refinery deal will secure a strategic position in the Caribbean. It is a long-term investment designed to give Pemex and Mexpetrol a privileged market position when the Cuban economy opens up.

Once the plant is in operation, refined products will be sold on the Cuban domestic market, potentially easing Cuba's acute fuel shortage and the attendant power blackouts that are a major source of discontent for the Cuban populace. The plant has an output capacity of 3 million tons; Cuba imported 6 million tons of petroleum products last year and could absorb the entire production in its domestic market. Due to a lack of hard currency, Cuba's oil imports have fallen drastically from \$2.6 billion in 1989 to \$620 million in 1993. Plans to export part of the plant's production could earn hard currency for the cash-strapped government.

According to press reports, Mexpetrol will supply the refinery with crude, up to 65,000 barrels a day at full operating capacity. We do not know how the imports will be financed but there are no indications the petroleum will be supplied on a concessionary basis. In theory, credits for oil purchases for the joint venture will be arranged by Mexpetrol, probably at more favorable rates and conditions than those extended to the Cuban government.

Telephones and more. During President Salinas's visit to Havana last June, an agreement was reached whereby the private Mexican firm Grupo Domos purchased 49% of the Cuban telephone company for an total investment of \$1.5 billion over six years, with an initial investment of \$500 million plus \$200 million from a debt-swap. Along with other joint ventures in textiles, hotels, glass, and cement - also supported by debt-for-equity swaps - the oil and telephone deals bring net Mexican investment in Cuba to over \$1 billion, pushing Mexico ahead of Spain and Canada as Cuba's largest foreign investor.



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Approved: INR/PDAS: Tfingar (Acting)

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112048Z PAGE 01 MEXICO 24093 01 OF 03 ACTION ARA-01

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SECTION 01 OF 03 MEXICO 024093

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DEPARTMENT FOR ARA ASSISTANT SECRETARY WATSON AND ARA/CCA TREASURY FOR ROBIN RITTERHOFF, DEREK HILL AND JOHN SIMPSON USDOC FOR 6321/ITA/OFFICE OF MEXICO/TDICK AND DKARMIN USDOC FOR 4321/ITA/IEP/WH/OMCB/MD/RVARGO DOE FOR BRODMAN/PUMPHREY/SANTIAGO, INT'L AFFAIRS, ROOM 7G076 STATE PLEASE PASS USTR/JMELLE PLEASE PASS TO BUMINES, MICHAEL HEYDARI, INTERNATIONAL MINERALS



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E.O. 12356: DECL:OADR

TAGS: ENRG, ETRD, EINV, EPET, CU, MX

SUBJECT: THE CIENFUEGOS REFINERY: A MONEY MAKER FOR MEXICO OR

FOR CASTRO?

REFS:

..1. CONFIDENTIAL - ENTIRE TEXT

2. SUMMARY. ACCORDING TO MEXPETROL, THE MIXED-ENTERPRISE

DEPARTMENT OF STATE

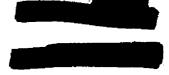
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ENERGY DEVELOPER OWNED BY PEMEX AND SEVERAL MEXICAN CONSTRUCTION/ENGINEERING/CHEMICAL FIRMS, THE RECENT AGREEMENT TO PURCHASE A 49 PERCENT SHARE OF THE CIENFUEGOS REFINERY IS STRICTLY A BUSINESS DEAL AND HAS NOTHING TO DO WITH POLITICS. IN CONVERSATION WITH ENERGY ATTACHE, MEXPETROL OFFICIALS EXPLAINED THAT THE MEXICAN SHARE IN THE REFINERY IS VALUED AT USD 80 MILLION, OF WHICH USD 40 MILLION IS IN THE FORM OF A DEBT/EQUITY SWAP AND USD 40 MILLION FRESH INVESTMENT TO MODERNIZE THE REFINERY. THE MODERNIZATION WOULD BE FINISHED IN LESS THAN THREE YEARS AND WOULD PROVIDE MEXICO WITH 12,000 BARRELS PER DAY OF UNLEADED GASOLINE. MEXPETROL WOULD SEEK A TECHNICAL ASSISTANCE AGREEMENT WITH PEMEX TO RUN THE REFINERY. THE DEAL STILL COULD FALL THROUGH FOR A VARIETY OF REASONS, INCLUDING A POSSIBLE OBJECTION BY CUBAN HARDLINERS WHO MAY THINK MEXICO IS TAKING ADVANTAGE OF CUBAN ASSETS UNFAIRLY.

3. ACCORDING TO MEXPETROL THE USD 40 MILLION IN FRESH MONEY IS ONLY FOR PHASE I, IMPLYING THAT FURTHER INVESTMENT WOULD FOLLOW. MEXPETROL BELIEVES THAT IT IS BUYING THE REFINERY VERY CHEAPLY BECAUSE OF CUBA'S ECONOMIC DIFFICULTIES AND THAT ITS INVESTMENT IS SECURE UNDER ANY POSSIBLE POLITICAL SCENARIO.



PAGE 03 MEXICO 24093 01 OF 03 112048Z
THE AGREEMENT SO FAR IS A LETTER OF INTENT WITH MANY DETAILS
REMAINING TO BE IRONED OUT. THE MEXPETROL'S GOVERNMENT-OWNED
PARTNERS WOULD NOT INVEST IN THE REFINERY, BUT RATHER THE
INVESTMENT WOULD BE MADE BY THREE OF MEXPETROL'S PRIVATE
SHAREHOLDERS, AT LEAST TWO OF WHICH HAVE JOINT-VENTURE
AGREEMENTS WITH AMERICAN COMPANIES. END SUMMARY.

- WE REPORTED THAT MEXPETROL, AN INTERNATIONAL ENERGY DEVELOPER AND MIXED-CAPITAL ENTERPRISE OWNED BY THE GOM AND BY SEVERAL MEXICAN CONGLOMERATES WAS CLOSE TO COMPLETING AN AGREEMENT TO PURCHASE A SUBSTANTIAL SHARE OF THE CIENFUEGOS REFINERY IN CUBA. REF A ALSO GAVE A BACKGROUND ON MEXPETROL AND ON THE PROPOSED AGREEMENT. WE REPORTED INFORMATION IN THE LOCAL PRESS FROM HAVANA THAT MEXICAN SECRETARY OF FOREIGN RELATIONS WITNESSED THE SIGNING OF A JOINT-VENTURE AGREEMENT BETWEEN MEXPETROL AND CUPET (THE CUBAN PETROLEUM COMPANY) TO REFURBISH AND OPERATE THE SOVIET-BUILT REFINERY. THE FOLLOWING PROVIDES ADDITIONAL INFORMATION ON THE AGREEMENT FROM MEXPETROL'S PRINCIPALS AND FROM OTHER SOURCES.
- 5. ENERGY ATTACHE MET WITH ALL OF MEXPETROL'S TOP EXECUTIVES ON OCTOBER 5 TO DISCUSS THE CIENFUEGOS REFINERY AGREEMENT.

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- 6. DURING THE MEETING, THE MEXPETROL GROUP WAS LEAD BY JOSE MARIO COBO G., DIRECTOR GENERAL, WHO DID MOST OF THE TALKING. GERARDO GIL VALDIVIA, SUB DIRECTOR, WHO WAS IN ARGENTINA DURING THE FIRST MEETING IN REF A, AND PEDRO GALICIA PARTICIPATED. OBO EMPHASIZED SEVERAL TIMES THAT THE CIENFUEGOS AGREEMENT IS AN ECONOMIC DEAL AND NOT A POLITICAL ONE. "MEXICO IS NOT GOING TO SUBSIDIZE THE REFINERY", HE SAID. HE STRESSED THAT THE CIENFUEGOS REFINERY IS "A FIVE TIMES BETTER BUY THAN PEMEX'S DEER PARK, TEXAS REFINERY JOINT-VENTURE WITH SHELL." OTHER PEMEX SOURCES ALSO STRESSED THAT THE AGREEMENT IS STRICTLY GOOD BUSINESS FOR MEXICO BUT OFFERED NO COST/BENEFIT ANALYSIS.
- 7. COBO COMMENTED THAT THE CIENFUEGOS AGREEMENT IS NOT A GOVERNMENT-TO-GOVERNMENT AGREEMENT, BUT A PRIVATE ONE. WE



Date Printed: 04/15/1997

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PAGE 01

MEXICO 24093 02 OF 03 112048Z

ACTION ARA-01

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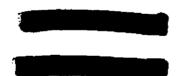
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TREASURY WASHDC

AMEMBASSY CARACAS

SECTION 02 OF 03 MEXICO 024093

DEPARTMENT FOR ARA ASSISTANT SECRETARY WATSON AND ARA/CCA TREASURY FOR ROBIN RITTERHOFF, DEREK HILL AND JOHN SIMPSON USDOC FOR 6321/ITA/OFFICE OF MEXICO/TDICK AND DKARMIN USDOC FOR 4321/ITA/IEP/WH/OMCB/MD/RVARGO DOE FOR BRODMAN/PUMPHREY/SANTIAGO, INT'L AFFAIRS, ROOM 7G076 STATE PLEASE PASS USTR/JMELLE PLEASE PASS TO BUMINES, MICHAEL HEYDARI; INTERNATIONAL MINERALS



PAGE 02

MEXICO 24093 02 OF 03 112048Z

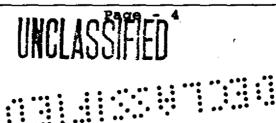
E.O. 12356: DECL:OADR

TAGS: ENRG, ETRD, EINV, EPET, CU, MX

SUBJECT: THE CIENFUEGOS REFINERY: A MONEY MAKER FOR MEXICO OR

FOR CASTRO?

QUESTIONED THAT DESCRIPTION, NOTING THAT CUPET IS WHOLLY-OWNED BY THE CUBAN GOVERNMENT AND MEXPETROL IS 35 PERCENT OWNED BY



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THE MEXICAN GOVERNMENT. COBO RESPONDED THAT ONLY THE MEXPETROL'S SHAREHOLDERS WILL INVEST IN THE CIENFUEGOS REFINERY." HE EXPLAINED THAT MEXPETROL IS STRUCTURED SO THAT ITS PARTNERS CAN MAKE INDEPENDENT INVESTMENTS IN THE COUNTRIES WHERE MEXPETROL DOES BUSINESS. IN THE CASE OF THE CIENFUEGOS REFINERY, HE SAID, THE MEXPETROL SHAREHOLDERS INVESTING IN CUBA WILL BE PROTEXA, ICA AND BUFETE INDUSTRIAL. HE ADDED THAT "FOR TIMING REASONS, PEMEX WAS UNABLE TO PRESENT THE CIENFUEGOS PROPOSAL TO ITS BOARD AND THEREFORE, PEMEX WILL NOT INVEST IN THE REFINERY. FOR SIMILAR REASONS, COBO SAID, THE FOREIGN TRADE BANK, BANCOMEXT, (A 5 PERCENT SHAREHOLDER IN MEXPETROL) AND THE MEXICAN PETROLEUM INSTITUTE, PEMEX'S RESEARCH INSTITUTE (ALSO A 5 PERCENT SHAREHOLDER IN MEXPETROL) WILL NOT INVEST IN THE REFINERY.

WHEN ENERGY ATTACHE ASKED FOR HARD ECONOMIC INFORMATION ON THE AGREEMENT. "AS THE INFORMATION IN THE MEXICAN PRESS REFLECTS THE CUBAN PRESS AND MAKES IT APPEAR AS IF MEXICO'S MAIN TRADING PARTNER IS CUBA AND NOT THE UNITED STATES, " COBO

MEXICO 24093 02 OF 03 112048Z PAGE 03 TURNED PALE, SAID THAT MEXPETROL HAS NEVER TALKED ABOUT THE AGREEMENT WITH THE PRESS, AND CORRECTED SOME "ERRONEOUS INFORMATION IN THE PRESS."

9. COBO SAID THAT CONTRARY TO PRESS REPORTS, THE AGREEMENT WITH CUBA WAS NOT SIGNED BY FOREIGN MINISTER TELLO BUT BY HIMSELF. "WHAT I SIGNED IS A LETTER OF INTENT, AN AGREEMENT TO NEGOTIATE, " HE SAID. HE VOLUNTEERED THAT THE AGREEMENT COULD BE CANCELLED AT ANY TIME, IF FOR EXAMPLE, "A CUBAN LEFT-LEANING OFFICIAL WOULD OBJECT TO THE AGREEMENT ON THE GROUNDS THAT CUBA S GIVING AWAY ITS REFINERY ASSETS TO MEXICO. " ANOTHER PRESS ERROR, GIL SAID, "IS THE VALUATION FOR MEXICO'S SHARE IN THE REFINERY; IT IS USD 80 MILLION AS IS AND IT WOULD COST USD 350 MILLION TO REPLACE IN ITS PRESENT FORM. OUR INVESTMENT IN PHASE ONE WILL BE USD 40 MILLION, NOT 50. THE AGREEMENT IS PART DEBT/EQUITY SWAP (USD 40 MILLION) AND USD 40 MILLION OF NEW INVESTMENT ON OUR PART. THE REFINERY IS CAPABLE OF OPERATING AS IS, BUT IT WOULD BE VERY INEFFICIENT", HE SAID.





ASKED WHETHER MEXICO EXPECTS TO OBTAIN UNLEADED GASOLINE FROM THE CIENFUEGOS REFINERY, COBO SAID, "ABOUT 15,000 BARRELS PER DAY." GALICIA CORRECTED HIM, "NO, IT WILL BE MORE LIKE 12,000 BARRELS PER DAY."

10. WE NOTED THAT THE CIENFUEGOS REFINERY IS A SOVIET DESIGN FOR VERY COLD WEATHER AND A WHITE ELEPHANT NEEDING AT LEAST USD 250 MILLION IN FRESH INVESTMENT. GIL RESPONDED THAT HE ALSO HAS HEARD THE SAME COMMENTS. HE EXPLAINED THAT "THIS IS A PRIMARY REFINERY, WE ARE BUYING IT ON-THE-CHEAP

SOME SAY THAT THE REFINERY HAS "SERPENTINES", A SYSTEM NEEDED IN SIBERIA TO HEAT THE CRUDE, AND THAT ITS WALLS ARE TWO INCHES THICK, RATHER THAN THE NORMAL ONE INCH. I AM ONLY GLAD

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WE ARE NOT BUYING THE REFINERY BY THE POUND. BUT AT LEAST IT
WON'T DENT. WITH OUR USD 40 MILLION INVESTMENT, THE REFINERY
WILL HAVE A VACUUM TOWER AND A CATALYTIC CRACKING SYSTEM AND
WILL BE MODERNIZED IN LESS THAN 3 YEARS. WE WILL ALSO SEEK A
TECHNICAL ASSISTANCE AGREEMENT WITH PEMEX TO RUN THE REFINERY.
IF PEMEX CAN'T DO IT, WE WOULD CONTRACT THE VENEZUELAN
PETROLEUM COMPANY (PDVSA) OR SOMEONE ELSE." COBO SAID THAT
SINCE THE INVESTMENT IN THE CIENFUEGOS REFINERY WAS ANNOUNCED,
MEXPETROL HAS BEEN CONTACTED BY COMPANIES FROM 10 COUNTRIES
OFFERING TECHNOLOGY. "WE WERE EVEN CONTACTED BY TWO AMERICAN
COMPANIES BUT WE WON'T GET INTO THAT," HE SAID.

11. GIL COMPLAINED THAT THE PRESS HAS GIVEN MUCH MORE EMPHASIS TO THE CUBAN REFINERY AGREEMENT THAN TO BIGGER DEALS HE HAS NEGOTIATED WITH ARGENTINA, PERU AND GUATEMALA. "SUCH AGREEMENTS ARE NOW BEGINNING TO BEAR FRUIT", SAID GALICIA. GIL INTERJECTED THAT THE CIENFUEGOS REFINERY HAD NOT BEEN



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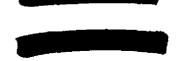
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DEPARTMENT FOR ARA ASSISTANT SECRETARY WATSON AND ARA/CCA TREASURY FOR ROBIN RITTERHOFF, DEREK HILL AND JOHN SIMPSON USDOC FOR 6321/ITA/OFFICE OF MEXICO/TDICK AND DKARMIN USDOC FOR 4321/ITA/IEP/WH/OMCB/MD/RVARGO DOE FOR BRODMAN/PUMPHREY/SANTIAGO, INT'L AFFAIRS, ROOM 7G076 STATE PLEASE PASS USTR/JMELLE PLEASE PASS TO BUMINES, MICHAEL HEYDARI, INTERNATIONAL MINERALS



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E.O. 12356: DECL:OADR

TAGS: ENRG, ETRD, EINV, EPET, CU, MX

SUBJECT: THE CIENFUEGOS REFINERY: A MONEY MAKER FOR MEXICO OR

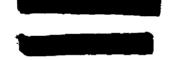
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FOR CASTRO?

CONFISCATED BY THE CUBAN GOVERNMENT, BUT BUILT BY THE SOVIET UNION... "IT WAS NOT EVEN THERE WHEN CASTRO TOOK OVER, " HE SAID.

- 12. COBO COMMENTED THAT THE "CIENFUEGOS REFINERY REPRESENTS A STRATEGIC INVESTMENT FOR PEMEX." WE ASKED WHETHER IN PLANNING SUCH STRATEGIC INVESTMENT, THE MEXICAN INVESTORS HAD ASSUMED THAT THE CUBAN GOVERNMENT WOULD REMAIN UNCHANGED INDEFINITELY. COBO REPEATED THAT THE AGREEMENT WAS A GOOD BUSINESS DEAL AND IT HAS NOTHING TO DO WITH POLITICS. "WE'LL COME OUT FINE IN ANY EVENT", HE SAID, AND PROCEEDED TO EXPLAIN THE POLITICAL RISK ANALYSIS FOR THE INVESTMENT:
 - "IF THE US EMBARGO REMAINS IN PLACE WE WILL BE FINE BECAUSE NOTHING WOULD CHANGE."
 - "IF THE EMBARGO IS LIFTED, WE WILL DO BETTER BECAUSE OUR PARTS AND MATERIALS WILL BE CHEAPER."
 - "IF THERE IS A CHANGE IN CUBA TO THE LEFT, WE WILL DO EVEN BETTER BECAUSE THE INVESTMENT WOULD BE NEEDED EVEN MORE."
 - "IF THERE IS A CHANGE TO THE RIGHT IN CUBA WE WILL DO FINE. A NEW DEMOCRATIC CUBAN GOVERNMENT WOULD NOT CONFISCATE OUR INVESTMENT AS THIS WOULD SEND A NEGATIVE SIGNAL TO OTHER POTENTIAL INTERNATIONAL INVESTORS. IF A CONFISCATION WERE TO OCCUR, WE WOULD HAVE PLENTY OF



- PAGE 03 MEXICO 24093 03 OF 03 112049Z INTERNATIONAL TOOLS TO DEFEND OUR INVESTMENT. YOU SEE, WE CAN'T LOSE."
- 13. COMMENT: FROM MEXPETROL'S POINT OF VIEW THIS MAY BE A ROUTINE BUSINESS AGREEMENT WHICH NEEDS ONLY FINE TUNING TO EVENTUALLY MOVE FORWARD. ENERGY EXPERTS IN MEXICO BELIEVE THAT THE MEXPETROL CUPET AGREEMENT IS A POOR ONE FOR MEXICO ON BOTH POLITICAL AND ECONOMIC GROUNDS." HOWEVER THE GOM HAS PROBABLY DEBATED THIS "AGREEMENT TO NEGOTIATE" AT THE HIGHEST LEVELS AND CONCLUDED THAT FOR STRATEGIC REASONS THE INCREASED INTEGRATION OF THE MEXICAN AND CUBAN ECONOMIES MAKES GOOD BUSINESS SENSE. BY CALLING THE USD 40 MILLION DOLLAR INVESTMENT PHASE I, COBO REVEALED THAT THIS INITIAL AGREEMENT MAY ONLY BE THE TIP OF THE ICEBERG, THAT PHASES II AND III WOULD FOLLOW, WITH MORE INVESTMENT AND MORE ENERGY





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INTERDEPENDENCY BETWEEN CUBA AND MEXICO. GIVEN THE NATURE OF THIS DEAL, MEXICO PROBABLY WOULD NOT CONTRIBUTE CASH, BUT A FLOW OF CRUDE IN ORDER TO OBTAIN UNLEADED GASOLINE, A PRODUCT WHICH PEMEX CANNOT FULLY SUPPLY FROM ITS CURRENT REFINERIES. BY EXCLUDING PEMEX AND THE OTHER TWO GOM DEPENDENCIES FROM DIRECT INVESTMENT IN THE REFINERY THE GOM IS KEPT AT ARMS' LENGTH FROM THIS DEAL.

14. THERE REMAINS, OF COURSE THE QUESTION OF WHETHER LARGE MEXICAN CONGLOMERATES SUCH AS PROTEXA, ICA AND BUFETE WOULD PREFER TO-INVEST IN CUBA AT THE RISK OF LOSING THEIR AMERICAN JOINT VENTURE PARTNERS (FLUOR WITH ICA AND M.W. KELLOGG WITH BUFETE) FOR PROJECTS IN MEXICO AND ELSEWHERE.

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Current Classification ***

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MEXICO

The State Department report on Mexico concludes that human rights violations declined noticeably in 1993, but is silent about the precise methodology utilized to reach this conclusion. In reality, neither the contents of the report nor the actual record substantiates such a conclusion. The report consistently acknowledges the occurrence of certain egregious human rights violations, ignores other violations and concludes on an optimistic note by emphasizing government reform efforts — the same approach used by the Mexican government when it is questioned about violations. The report presents attempted government reforms as wholly positive, with no discussion of their effectiveness. Critical analyses by independent human rights organizations are barely mentioned. In general, the report's extremely uneven substantive emphasis fails to convey the full dimension of the human rights problem in Mexico.

The report correctly identifies diverse and widespread human rights violations, as well as the persistence of impunity for the perpetrators, however, the fundamental weaknesses of the 1992 report are repeated. The report again fails to explain why high levels of egregious violations and impunity persist in the face of allegedly strong government efforts to reduce both. One explanation is that the report over-emphasizes such efforts, which are, in fact, insufficient to rectify serious human rights problems. The report unquestioningly accepts government efforts as credible and reliable, including the activities of governmental human rights commissions and reforms in the office of the Attorney General (PGR). Furthermore, the report omits or gives only cursory attention to certain important cases, incidents and topics.

The structure of the report reflects an ongoing US policy of muted criticism of human rights matters, designed to avoid potential harm to the US-Mexico bilateral relationship and US interests in Mexico, while encouraging further improvement. This approach leads to a persistant tension in the report: statements praising Mexican government efforts are often contradicted by descriptions of continuing egregious human rights violations and impunity. The result is a cognitive dissonance that runs throughout the report.

The Mexican government bears full responsibility for all human rights violations committed in Mexico and for the failure of the Mexican justice system to prosecute violators. Civilian governments sometimes lack sufficient power to confront security forces on human rights matters, but as last year's Critique pointed out, Mexico's entrenched Institutional Revolutionary Party (PRI) cannot credibly make such a claim. The PRI government's failure is largely the result of design or omission, but not incapacity.

The report fails to substantiate its conclusion that the Salinas administration has succeeded in curbing human rights abuses. Quantifiable evidence may be difficult to obtain, but ample documentation, from non-

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governmental organizations and the press, casts significant doubt on the report's conclusion. The report makes occasional references to human rights NGO's, but includes only statistics published by the government-appointed National Human Rights Commission (CNDH), without any critical analysis. Over 100 Mexican NGO's publish periodic reports, yet none are cited.

Claims for the effectiveness of the CNDH, which the report cites as the centerpiece of the Mexican government's efforts to curb human rights violations and official impunity, must be evaluated on the basis of its record. The CNDH has no prosecutorial powers, and, as the 1992 report observed, it must rely on "the pressure of public opinion and the accuracy of its investigations to induce compliance with its recommendations to state and federal authorities to investigate and prosecute transgressors." Despite repeated expressions of support from President Salinas, a majority of the CNDH's recommendations have been ignored or only partially implemented. According to the report, by the end of 1993, only 268 of 624 recommendations had been fully implemented. The CNDH also issues recommendations to government agencies regarding cases that are not police-related (for example, proper treatment in government healthcare facilities), suggesting that the proportion of fully implemented recommendations in cases involving beatings, torture and other serious human rights violations is even lower.

With respect to prosecutions resulting from CNDH recommendations to the PGR during the same three-and a one-half-year period, the report states, without any analysis, that 82 people have been arrested and 20 tried, convicted and sentenced to prison terms averaging over five years. These figures reflect an arrest rate of less than two per month; a conviction rate of less than one-fourth of all arrestees; and an average of one conviction every two months. Such rates are extremely low in light of the widespread nature of violations in Mexico, and their overall deterrent value is questionable.

Critics of the CNDH's effectiveness, including the Lawyers Committee, have pointed out its failure to make recommendations concerning compensation for victims; its support for the creation of state-level human rights commissions, which have impeded the independent monitoring of human rights investigations (discussed below); its failure to complain when persons accused of torture by victims are charged only with lesser crimes by prosecutors; its excessive bureaucratization with over 600 employees; and its equivocal recommendations in politically sensitive cases, such as the 1991 murder of a striking worker at the Ford Motor Company.

The report recognizes discrepancies between CNDH claims that torture complaints declined in 1993 and those of unspecified independent human rights organizations that "torture remained at historic levels or even increased," but concludes only that the "magnitude of the problem is significant." The report fails to mention that one principal source for the discrepancies is that the CNDH expressly limits its findings of torture to cases in which the torture is well-

documented and strong physical evidence exists. Independent groups also accept credible claims of torture that are more difficult to document, especially where the torturer chooses a technique designed to leave few marks on the victim. For example, the report states that torture methods have included beatings, asphyxiation and electric shock, but makes no mention of several other widely reported methods, such as the forcible introduction of carbonated water into the victim's nose (tehuacanazo), forcible submersion in water and food deprivation. These omissions are an example of the State Department's failure to credit reports by non-governmental sources.

The UN Committee Against Torture has, in fact, relied on information from non-governmental groups to reject claims by the Mexican government based on CNDH reports that torture was declining. In late 1992, the Committee criticized the government's inadequate efforts and took the unusual step of directing the Mexican representative to present a new report in 1994. The State Department should explain its reasons for relying on the CNDH to the near-exclusion of other human rights entities.

The report cites with approval the creation of state-level human rights commissions, without any analysis or discussion. By the end of 1993, 29 of the 30 states (Aguascalientes was the lone exception), as well as the Federal District, had created human rights commissions, which were authorized by the federal constitutional amendments enacted in January 1992. Independent human rights monitors report that the performance of these state-level commissions is variable and in all cases susceptible to local political pressure. Some states only established commissions after considerable delays. The report fails to provide any information on the state human rights commissions by which their respective performances can be judged. This is a significant omission.

The state of Puebla offers an example of what may be expected from the state human rights commissions. The state congress enacted legislation to create a commission in December 1992, but did not name a president and two assistants until July 1993. Press reports indicated that Puebla Governor Manuel Bartlett Diaz (formerly a member of President Salinas' cabinet) had personally selected the three commission members without consulting independent human rights organizations or the political opposition, causing considerable consternation among these sectors. The new commission president tried to assure the public that the body would function autonomously and professionally, but then also announced that its advisory panel would be directed by Governor Bartlett.

The report ignores or mentions only superficially, limitations created by the 1992 constitutional amendments. These amendments ensure that the CNDH and all state commissions possess no prosecutorial authority and that their respective mandates exclude electoral and labor law violations. Furthermore, investigations are limited to violations reported within one year of their alleged



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occurrence, and final sentences by courts and administrative tribunals cannot be challenged by actions of the governmental commissions. Also, the CNDH's jurisdiction has been reduced to issuing recommendations to federal agencies and reviewing the recommendations of the new state commissions. In effect, the Mexican government replicated a weak national institution at the state level, and diminished the authority of the original national body. It chose to expand a bureaucratic structure with questionable effectiveness, instead of taking decisive measures to end police and military abuse, ensure that prosecutors do their jobs and guarantee that the courts dispense justice. The addition of state commissions merely adds another layer of bureaucracy and further delays investigations and possible prosecutions.

The report implies that public awareness of human rights concerns increased in 1993, in part, as a result of government efforts. In fact, decentralization of authority over human rights investigations probably has had an adverse effect. With investigatory information now arising in virtually all the states as well as the Federal District, the press and human rights advocates based in Mexico City will have greater difficulty in monitoring governmental human rights investigations. Previously, the CNDH had been a convenient centralized source of information. Now, inquiries and complaints must be taken to the state capitals.

The report also cites reforms to the office of the Attorney General as a strong government effort to end the "culture of impunity" surrounding the security forces. However, neither the actual record nor the contents of the report substantiate such a claim. The report mentions a few specific cases where members of the Federal Judicial Police, which is subordinate to the PGR, were arrested for involvement in murder cases, but specifies only one instance of reform in the office of the PGR — its ending the practice of hiring police auxiliaries.

In January 1993, President Salinas appointed Jorge Carpizo, the president of the CNDH, to be the new federal Attorney General. Carpizo was placed in the curious position of heading the government agency that had most often dragged its feet in complying with CNDH recommendations. Over the following twelve months, Carpizo dismissed numerous personnel of the PGR and the Judicial Police. Over 300 officers of the Judicial Police were dismissed, including 70 commanders. Carpizo deserves credit for dismissing many individuals with poor records; however, the fundamental impact of such firings on the roots of corruption and human rights violations is questionable. Some of Carpizo's predecessors undertook similar housecleanings without any significant longterm impact.

The report makes only a brief mention of the May murder of Catholic Cardinal Juan Posadas Ocampo in Guadalajara, which revealed the extent to which corruption pervades Mexican police institutions. The chief of the state police in the state of Jalisco, a high-level member of the judicial police in the state of Baja California Norte and the chief of police in Mexico City were fired and charged with

links to Posadas' assassins, alleged drug traffickers. The cardinal's murder also prompted a government crackdown on drug trafficking.

Some critics charge that the crackdown was merely intended to clean up an international embarrassment for President Salinas at a time that the North American Free Trade Agreement (NAFTA) was being hotly debated in the United States and Canada. The Mexican government has a history of launching showy investigations and purges of law-enforcement agencies after embarrassing narcotics-related scandals. Mexican police sources contend that protection sold to high-level traffickers reaches beyond police commanders and into the civilian world of national politicians and business leaders, none of whom were touched by Carpizo's crackdown in 1993.

After the Posadas murder, President Salinas decided to concentrate the battle against drug trafficking in a new autonomous agency, the National Institute to Combat Drugs (INCD). The PGR has oversight authority over the INCD but its director is named by the president. Significantly, the PGR has relinquished control over the Judicial Police, the investigative police and its anti-narcotics squad to the INCD. This move would indicate that the government has concluded either that the Judicial Police require a wholesale restructuring, or that the PGR is incapable of cleaning up the Judicial Police, or both. Whether this measure will be more effective than its predecessors remains to be seen.

Human rights advocates and other critics of Carpizo's performance in 1993, questioned a number of his decisions, including support for a new law increasing the permissible length of preventive detention of persons suspected of organized crime links, and the return of police roadblocks to federal highways, which had been previously eliminated to end widespread police extortion. Carpizo was also criticized for his reluctance to disclose the names of dismissed members of the Judicial Police and the criminal charges, if any, brought against them, and for his failure to pursue vigorous prosecutions of all former police members allegedly guilty of human rights violations. In September, Carpizo's handpicked liaison with human rights organizations resigned and publicly alleged that corruption and the lack of will to uphold justice had made it impossible for her to continue her work.

The report mentions that the armed uprising of the Zapatista Army of National Liberation (EZLN) which began in the state of Chiapas on January 1, 1994, "called attention to serious discontent with the human rights and economic situation", but provides virtually no information about the "situation" to which it refers. The report does not mention the human rights violations committed in Chiapas during the conflict. Mexican and international human rights organizations have documented summary executions, torture, forced disappearances and unlawful detentions by Mexico's security forces. In addition, Mexican sources noted coverups of human rights violations, including complicity by the CNDH and other government representatives. Documented abuses committed by EZLN combatants

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included the taking of civilian hostages, the murder of at least one hostage, using civilians as shields during combat and destroying non-military targets.

The egregious human rights violations committed by the security forces in Chiapas are consistent with previously documented violations in Chiapas and other parts of the country. For example, during 1993, Mgr. Samuel Ruiz, the Catholic bishop of San Cristobal de las Casas) and the Centro de Derechos Humanos Fray Bartolomé de las Casas (the Human Rights Center) denounced violations against several Mayan communities. Senior military officers responded by accusing Ruiz and the Human Rights Center of spreading "odious lies" about the military, "obstructing justice" and "defending criminals." The CNDH took the side of the military and accused the Human Rights Center of interfering with a police investigation. Independent human rights organizations from Mexico and the United States investigated the accusations against Ruiz and the Human Rights Center, concluded that they were unfounded and substantiated the accusations against the military.

After the EZLN revolt began in January, numerous high-ranking Mexican government officials accused Ruiz and other Catholic clerics of being behind the rebellion. Ironically, the Mexican government subsequently turned to Ruiz for help in meditation efforts with the EZLN, after the government's initial response to eliminate the rebellion by force failed and generated graphic media reports of human rights violations by security forces. The 1994 report should discuss such violations and the government's attacks on critics such as Bishop Ruiz and the Human Rights Center.

The persecution and murder of gay men and the failure or lack of appropriate police investigations also warrants more attention in next year's report, especially with respect to Chiapas. Independent human rights organizations report that as many as 25 men have been murdered in Tuxtla Gutiérrez, the Chiapas state capital, since 1991. In February 1994, press reports indicated that the former coordinator of police forces for the state had been arrested on charges of arms trafficking, kidnapping and murder, and was implicated in the gay murders. Government officials now attest that he was never arrested. In April 1994, the state governor appointed an independent investigator in response to a CNDH recommendation. The State Department should report next year on the status of the investigation.

The report states that the Mexican government permits domestic and international human rights groups to operate "without restrictions or official harassment." This sanguine assessment ignores the unsubstantiated accusations endured by Ruiz, the Human Rights Center and others. The report does not mention that the Center for Border Studies and Human Rights Promotion (CEFPRODAC) in Reynosa, Tamaulipas, and its president, Arturo Solis Gómez, were targets of an intimidation campaign by state authorities in 1993.

CEFPRODAC reports on human rights abuses in the region bordering south Texas, which are often linked to drug trafficking and related corruption in the police and prison systems. CEFPRODAC has often identified the Judicial Police as the prime violator of human rights in the region, but in 1993 it reported that most of the serious cases of police torture and abuse of which it became aware in 1993 involved state and local police in the border cites of Matamoros, Reynosa and Río Bravo. CEFPRODAC also reported that abuses in prisons remained at high levels. The state Attorney General and the Director of Prisons responded by accusing CEFPRODAC of "protecting criminals." The PRI and two other allied political parties accused Solis and CEFPRODAC of being spies for foreign interests because CEFPRODAC had received charitable contributions from the Ford Foundation and other US-based philanthropic institutions. Solis, who is also a journalist, received anonymous death threats.

The report briefly mentions the case of Victor Clark Alfaro, director of the Binational Human Rights Center in Tijuana, Baja California Norte, who was the target of governmental attacks in 1993 after he published a report entitled Torture and Corruption: an Endemic Malady. Efforts to discredit Clark by the police and government of Baja California Norte involved officials up to Governor Ernesto Ruffo Appel. Clark was even indicted by the state Attorney General on charges of libel and defamation, based on a complaint by the Attorney General's chief bodyguard, whom Clark had identified as responsible for selling identification cards of the state judicial police to drug traffickers. Prosecution of the case was suspended in the face of an international campaign on Clark's behalf.

The report does not mention that most human rights monitors believe that they are under constant government surveillance, including telephone wiretaps. The government's failure to dispel this concern has contributed to significant self-censorship, which was exacerbated after electronic listening devices were found in the government's own CNDH offices in 1991. Some monitors also have reported receiving "friendly warnings" from government acquaintances advising restraint in investigating certain subjects or cases. Others have reported threatening messages on their answering machines and thefts of files.

The report's description of "significant restrictions" on speech and press freedoms is generally accurate; however, it conveys an unwarranted tone of optimism in referring to certain "signs of change between the Government and the press." For example, the government practice of paying the press to run government-produced materials as news was not banned as the report states; instead, only unrecorded payments were banned. Such a ban may impose some measure of restraint on government agencies; however, as the report correctly indicates, some agencies simply ignore the ban altogether. Journalists who accompany President Salinas on domestic and international trips are now required to pay their own expenses, but are still under intense pressure to soften their

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reporting in exchange for access. The president's office continues to decide who may travel with him, and press requests to create self-selected coverage "pools" have been declined. On at least one occasion in 1993—a trip to Austin, Texas—the president violated his own rule on not covering press expenses, offering the post facto justification that the members of the press entourage were all invited guests.

The report states that the selling of two government-owned television stations "will provide significant new competition in national television media." This erroneously creates the impression that a diversity of viewpoints may soon be available, beyond what the pro-government, privately-owned Televisa network currently provides. The sale of two extensive media packages will likely lead to greater commercial competition for advertising time, but not necessarily greater diversity in programming. The first package, which included a total of 90 TV channels, was sold to a consortium headed by an individual who has stated publicly that he strongly favors the government's political and economic programs, and that the primary role of television is entertainment. The second package, which included 62 TV channels, was sold to Televisa, which now controls approximately half of all television channels in Mexico. Each package was valued in the hundreds of millions of dollars, which precluded all except the wealthiest corporations and individuals from bidding. Bidding was to have been on a competitive basis, but Televisa was reported to have begun purchasing equipment for its new stations months before the public bid was even announced, leading to allegations that the bidding was rigged. The Mexican press reported that government officials discouraged submission of several potentially competitive bids.

The report fails to mention a significant effort undertaken in 1993 by Attorney General Carpizo, which was ostensibly intended to prosecute journalists involved in the drug trade, but in fact produced little factual evidence and appeared aimed at intimidating critics. In early May, Carpizo revealed that his office was pursuing a significant investigation of what he termed "narcojournalists." Carpizo made repeated public accusations about the existence of such narcojournalists, which increased after the murder of Cardinal Posadas in late May. In mid-July, three print journalists were indicted; however, all drug-related charges were later dropped by the courts for lack of evidence, and Carpizo's accusations subsided.

The report's coverage of elections is excessively optimistic in describing in some detail electoral reforms enacted in 1993, while downplaying protests and claims of fraud by opposition parties. The report accurately mentions claims of electoral fraud in the states of Nayarit, Guerrero, Baja California Sur and Yucatán, but fails to mention several others. Furthermore, election victories continue to be susceptible to post-election negotiations between the PRI and opposition parties, notwithstanding electoral reforms and actual election results, as in the state of Yucatán.



The report's claim that PRI victories in 1993 provoked "only scattered protests" is inaccurate. Strong protests of fraud occurred in virtually every state where elections were held. In the state of Mexico, the opposition protested electoral results in 40 of 121 state municipalities. Alleged electoral violations included last-minute changes of polling places, threats, vote-buying with private and public monies, violation of polling secrecy, failure to verify voter credentials, ballot-box stuffing, the operation of polling places by PRI members and improper herding of voters to the polls (acarreo). The state of Michoacán began the year with opposition party members occupying 38 town halls across the state in protest of elections held in the fall of 1992. In Puebla, 18 town halls were occupied at the beginning of the year. In San Luis Potosi, the opposition protested alleged shaving of polling lists, the use of invalid voter credentials, improper replacement of polling authorities, delayed opening of polling places, and illegal campaigning by the PRI and improper herding of voters to the polls. In Coahuila, the opposition denounced a PRI victory as the product of the dirtiest elections in the history of the state. The State Electoral Commission deliberately used non-indelible ink to mark voters' fingers. In Guerrero, 14 town halls were occupied by protesters from the opposition Democratic Revolutionary Party (PRD) after October's elections and widespread election-related violence resulted in the deaths of at least nine members of the PRD and one police officer.

In some instances, peaceful political protests were met with violence by police or government officials, which contradicts the report's blanket assertion that the Mexican government "permits demonstrations by a broad range of political groups." In Nayarit, for example, press reports indicate that Governor Rigoberto Ochoa, whose entry into his official offices in the state capital of Tepic had been blocked by protesting PRD members since his disputed election in July, ordered indiscriminate police attacks on protesters during a two-day period. On October 17, the police chased protesters throughout the city for at least three hours. Dozens were beaten and targeted with tear gas, including the offices of El Sol de Tepic, a daily which had written critically of Ochoa. On October 18, the police attacked PRD followers who had sought refuge on the grounds of a Catholic church. Several people were beaten and more than a dozen were detained without warrants, including the parish priest.

In Puebla, Governor Bartlett had the state's security forces forcibly remove most of the protestors who had occupied town halls across the state. In this atmosphere, PRD protesters in the town of Coxcatlan marched to the home of the mayor, where he was meeting with eight other elected PRI officials from the region. The protesters were met with gunfire which killed two elderly protesters and wounded 12 others.



THIND ACCIFIED

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The report's emphasis on the electoral reforms approved in 1993 is not warranted, given continued electoral violence, protests and post-electoral deals. In Mérida Yucatán, the PRI's mayor-elect apparently agreed to step down in exchange for the National Action Party (PAN)'s ending its protest of the gubernatorial election results. In Baja California Sur, the PAN's national leadership probably was willing to override protests of the gubernatorial election results by the state leadership as part of a secret arrangement with the PRI. In February 1994, PRI members admitted that the 1993 reforms had been weak and frequently violated by the PRI.

Fully one-third of the report is devoted to a discussion of worker rights. Yet this fails to describe serious distortions and limitations of the rights to freedom of association, collective bargaining and acceptable working conditions. A significant portion of the text is dedicated to merely reciting substantive and procedural aspects of Mexican labor law and conveying factual information about specific cases and situations. The report fails to identify clearly violations of worker rights, thereby creating the erroneous impression that few such violations occurred.

Mexican workers are given no reasonable opportunity to form independent unions and bargain collectively. Independent unions constituted by their members, who meet and vote to decide issues of direct concern to them are practically nonexistent. Mexico suffers from a government-controlled system of officially sponsored and manipulated unions which often take steps antithetical to the best interests of the workers they claim to represent. The majority of unionized workers are members of "official" unions imposed upon them and run by imposed leaders (known as charros). Such unions are subservient to state interests, while the rank and file are required to pay union dues without having input into union actions. The collective bargaining system even allows union leaders to negotiate contracts without the approval of the membership. The report only briefly mentions criticisms that have been raised concerning union registration requirements. In fact, such requirements keep unions under governmental control and prevent the establishment of autonomous unions. Only groups that have joined union confederations affiliated with the PRI, such as the Confederation of Workers of Mexico (CTM), and the Regional Confederation of Workers of Mexico (CROM), or are supported by a corporation, win legal registration.

In the last eight years, the Labor Ministry has granted charters to only a handful of independent unions, and then only after protracted litigation. Only one independent union (a seamstresses' union) did not have to resort to such litigation as a result of significant public pressure on the Labor Ministry. At the local level, registration must be obtained from local conciliation and arbitration panels, composed of government, corporate and "official" union representatives. Registration can often be delayed for years. The Labor Ministry continues to exert

tremendous influence over a union's activities after extending official recognition. For instance, any strike that does not have the ministry's authorization is expressly illegal, regardless of any underlying circumstances. Faced with an illegal strike, companies frequently call in riot police to break up picketing workers.

The persistence of widespread human rights violations in Mexico and the impunity with which they are committed contradict the stated commitment of President Salinas and the Mexican government to improve human rights practices. Respect for human rights will improve in Mexico only with stronger measures backed by the requisite will at all levels of the Mexican government, beginning at the highest. The record demonstrates that despite substantial international attention to Mexico's human rights practices in recent years, that will is lacking. Dismissals and prosecutions of some human rights violators have taken place, but not in sufficient numbers.

A credible government response to the problem of impunity is of critical importance. The Mexican government must address this central problem directly through effective reforms to the justice system. The creation of parallel, nonjurisdictional structures, such as the federal and state human rights commissions, carries inherent opportunity costs in terms of improvements to existing legal institutions.

Consistent with US obligations under domestic and international law, as well as the Clinton administration's stated commitment to human rights, the State Department should improve its human rights reporting on Mexico. All reporting should be as accurate and objective as possible, and not subject to foreign policy concerns. Finally, the US government should press human rights concerns with Mexico at every available opportunity.



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SECTION OF OF MEXICO 000075

DEPT PASS USTRYJMELLE
DEPT PASS FEDERAL RESERVE BOARD AND EX-IM BANK
DEPT PASS TO FOREIGN EXCHANGE AT FEDERAL RESERVE BANK OF NEW YORK
USDOC FOR 6321/ITA/OFFICE OF MEXICO/TDICK AND DKARMIN
USDOC FOR 4321/ITA/IEP/WH/OMCB/MD/RVARGO
TREASURY FOR ROBIN RITTERHOFF, PATRICK PASCOE, JIM FALL, DEREK
HILL

PAGE U2 MEXICO 00075 01 0F 04 0401572
LABOR PASS TO NAC/MONDEJAR
PARIS PASS DECD
E.O. 12356: DADR
TAGS: ECON, EFIN, ETRA, EINV, PGOV, MX
SUBJECT: SACRIFICE AND INFLATION CONTAINMENT -- THE GOM'S EMERGENCY PLAN TO RESTORE CURRENT ACCOUNT BALANCE
PEF. MEXICO 29970 AND PREVIOUS

1. CONFIDENTIAL - ENTIRE TEXT

2. SUMMARY: THE GOM UNVEILED THE "AGREEMENT TO OVERCOME THE ECONOMIC EMERGENCY" ON JANUARY 3, 1995 DETAILING THE EMERGENCY ECONOMIC PROGRAM PRIOR TO PRESIDENT ZEDILLO'S SPEECH LATER IN THE DAY (SEPTEL) EXPLAINING THE PROGRAM TO THE COUNTRY. THE PROGRAM IS ONE THAT CALLS FOR SACRIFICE FROM ALL SECTORS OF SOCIETY, BUT WHOSE CHIEF BURDEN SEEMS TO FALL ON WAGE EARNERS. NEGOTIATION OF THE PACT TOOK WELL OVER TWENTY HOURS, AS THE DRGANIZED LABOR SECTOR, SPECIFICALLY THE CTM AND FIDEL VELASQUEZ, PROVED RECALCITRANT IN ACCEPTING ITS TERMS. THE MAIN INGREDIENTS ARE TO FREEZE IN PLACE THE WAGE SETTLEMENT OF DECEMBER 20, TO CUT GOVERNMENT EXPENDITURES BY ABOUT 1.3 PERCENT OF GOP, TO EXHART BUSINESSMEN TO EXCERSIZE RESTRAINT IN

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PAGE

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INCHEASING PRICES. (ALLDWING BUSINESSMEN TO PASS ON ONLY THOSE PRICE I.CREASES THAT ARE DUE TO MORE EXPENSIVE IMPORTED INPUTS). IT INCREASE PROCAMPO SUPPORT PAYMENTS 5 PERCENT NOW AND 10 PERCENT LATER THIS YEAR. TO OFFER SUPPORT TO EXPORTING INDUSTRIES. AND TO COLUMNATE THE PROCESS OF PRIVATIZATION AND DEPERUMENTS.

CCELERATE THE PROCESS OF PRIVATIZATION AND DEPEGULATION. THE GOAL IS TO HAVE A CURRENT ACCOUNT DEFICIT OF NO MORE THAN 14

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BILLION ODELARS IN 1995 (VS. 28 SILLION IN 1994). TO BE
FINANCED BY MODERATE BORROWING. DIRECT FOREIGN INVESTMENT: AND
CURRENCY REPAIRIATION.

3. THE MARKETS DID NOT ANTICIPATE GOOD NEWS, WITH THE STOCK MARKET FALLING 29 POINTS, OR ABOUT 1.4 PERCENT, TO 2325 POINTS. INTEREST RATES ROSE, WITH DOLLAR-DENOMINATED MEXICAN TREASURY NOTES (TESOBOROS) TRISING TWO POINTS IN THE PRIMARY AUCTION TO 12.5 PERCENT. THE PESO...ALSO LOST GROUND TO THE U.S. DOLLAR BY ABOUT 50 CENTAVOS, TO 5.30/5.50 (BUY/SELL).
4. IT IS ALSO CLEAR THAT LABOR LEADERS ARE TROUBLED BY THE U-TURN BACK TO DECLINING REAL WAGES AND AUSTERITY. END SUMMARY. THE PACT....

5. ON JANUARY 3 THE GOM, WITH LABOR SECRETARY ONATE FRONTING, UNVEILED ITS LATEST PACT, ENTITLED THE AGREEMENT OF UNION TO OVERCOME THE ECONOMIC EMERGENCY (ACUERDO DE UNIDAD PARA SUPERAR LA EMERGENCIA ECONOMICA). THE PACT'S ANNOUNCEMENT HAD BEEN EXPECTED FOR JANUARY 2, BUT THE NEGOTIATION DRAGGED ON FOR 20 HOURS. THE CHIEF OBJECTORS WERE THE LABOR SECTOR. LABOR PATRIARCH FIDEL VELASQUEZ LEFT THE TABLE LATE JANUARY 2, BECAUSE OF HIS DISAGREEMENT WITH THE CONTINUED DEMAND FOR SACRIFICE FROM LOW-WAGE EARNERS. NONETHELESS, HE WAS AT ZEDILLO'S SIDE ON JANUARY 3 AND DUTIFULLY SIGNED THE PACT. AS IS CLEAR FROM THE DETAILS OF THE PACT, EVERYBODY IS ASKED TO SACRIFICE, BUT THE GNLY CONCRETE RESTRAINTS ARE ON FEDERAL GOVERNMENT EXPENDITURES AND SALARIES — THE BUSINESS SECTOR WILL BE ASKED TO EXCERCISE RESTRAINT IN PASSING ON PRICE RISES,

PAGE 04 MEXICO 00075 01 UF 04 040157Z AND WILL BE SUBJECTED TO INCREASED CREDIT RESTRICTIONS. 6. ...THE GOALS...

THE EMERGENCY PLAN, AS PRESENTED BY LABOR SECRETARY SANTIAGO DNATE, STRUCK THE SAME THEMES AS ZEDILLO DID IN HIS SPEECH OF DECEMBER 29, 1.e., ACTIONS HAD TO BE TAKEN TO AVOID A SPIRAL OF INFLATION AND DEVALUATION, TO DIMINISH THE CURRENT ACCOUNT DEFICIT. TO ENSURE SOCIAL JUSTICE AND MINIMIZE HARDSHIP ON THE POOREST PEOPLE, AND TO MINIMIZE IN TIME AND DURATION THE INEVITABLE INFLATIONARY BUBBLE FOLLOWING ON THE DEVALUATION. THE GOM'S GOAL IS TO REDUCE THE CURRENT ACCOUNT DEFICIT NEXT

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YEAR TO 14 DILLION COLLARS FROM ABOUT 28 BILLION DOLLARS NOW.
ITS GROWTH TARGETS ARE BEING REDUCED FROM 4 PERCENT TO 1.5 TO 2
PERCENT.

7. ... THE DETAILS:

MONETARY AND FISCAL PULICY

-- A) THE GOM WILL REDUCE EXPENDITURES ABOUT 1.3 PERCENT OF

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J 0401572 JAN 95 FM AMEMBASSY MEXICO TO SECSTATE WASHDO IMMEDIATE 9162 INFO TREASURY WASHDO IMMEDIATE USEU BRUSSELS AMEMBASSY PARIS NAFTA COLLECTIVE DEPTLABOR WASHOC DONE WASHDO

SECTION 02 OF 04 MEXICO 000075

DEPT PASS USTRIJMELLE DEPT PASS FEDERAL RESERVE BOARD AND EXHIM BANK DEPT PASS TO FOREIGN EXCHANGE AT FEDERAL RESERVE BANK OF NEW YORK USDOC FUR 6321/ITA/DEFICE OF MEXICO/TDICK AND DKARMIN USDGC FOR 4321/ITA/IEP/WH/OMC8/MD/RVARGO TREASURY FOR ROSIN RITTERHOFF, PATRICK PASCOE, JIM FALL, DEREK

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LABOR PASS TO NAO/MONDEJAR

PARIS PASS DECD

HILL

E.O. 12356: DADR

TAGS: ECON, EFIN, ETRA, EINV, PGOV, MX

SUBJECT: SACRIFICE AND INFLATION CONTAINMENT -- THE GOM'S EMERGENCY PLAN TO RESTORE CURRENT ACCOUNT BALANCE GDP (ALMOST 5 BILLION DOLLARS) OR ABOUT 5 PERCENT OF ITS TOTAL EXPENDITURES. PRIDRITY IN SPENDING WILL BE ON FINISHING ONGOING INFRASTRUCTURE PROJECTS, GENERATING EMPLOYMENT, AND MAINTAINING SOCIAL SPENDING IN ORDER TO DIMINISH EXTREME POVERTY. THIS SHOULD RESULT IN A FEDERAL BUDGET SURPLUS OF ABOUT .5 PERCENT.

-- B) THE TAX SYSTEM WILL BE SIMPLIFIED AND RATIONALIZED THROUGH THE EFFORTS OF A NEW ORGANIZATION: THE CONSULTATIVE TAX COMMITTEE, WHICH WILL BE MADE UP OF EXPERTS APPOINTED BY THE LABOR, CAMPESINO, AND BUSINESS SECTORS.

-- C) CREDIT WILL BE TIGHTENED THROUGHOUT THE ECONOMY. WITH SPECIAL DISPENSATIONS GIVEN TO AGRIBUSINESSES AND THE FARM SECTOR, MICRO AND MEDIUM SIZED FIRMS, AND EXPORTING FIRMS. --D) THE PUBLIC AND PRIVATE FINANCIAL SECTORS WILL WORK

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TOGETHER TO DEVELOP NOVEL MECHANISMS IN ORDER TO PROVIDE RELIEF TO THOSE DEPTURS WHOSE FINANCIAL SITUATION HAD BEEN MADE DESPERATE BY THE CURRENT CRISIS.

--E) THE BANK OF MEXICO. IN THE EXCERCISE OF ITS AUTONOMY, WILL ALSO WORK TO RESTRICT CREDIT IN LINE WITH THE OVERALL NATIONAL

PAGE 03 .. MEXICH 00075 02 DF 04 040158Z GOALS.

+- F) AN EXCHANGE STABILIZATION FUND OF 18 BILLION U.S. DOLLARS IS ESTABLISHED CONSISTING OF 9 BILLION FROM THE U.S. 1.5 BILLION CANADIAN DULLARS. 5 BILLION FROM THE INTERNATIONAL SETTLEMENTS BANK, AND ABOUT 3 BILLION FROM THE INTERNATIONAL PRIVATE SECTOR. THIS, TOGETHER WITH THE 6-15 BILLION DOLLARS IN RESERVES OF THE DANK OF MEXICO. PROVIDES A WAR CHEST OF 24 BILLION DOLLARS IN DROPE TO STABILIZE EXCHANGE RATES (BUT NOT TO FINANCE THE CURRENT ACCOUNT DEFICIT).

--G) THE PESO WILL CONTINUE TO BE ALLOWED TO FLOAT.
--H) THE TAX SYSTEM WILL BE SIMPLIFIED AND PATIONALIZED UNDER THE AEGIS OF A SOON-TO-BE-ESTABLISHED TAX ADVISORY COMMITTEE WAGES AND PRICES

THE 7 PERCENT WAGE AND 3 PERCENT NEGATIVE INCOME TAX (FOR THOSE EARNING UP TO TWICE THE MINIMUM WAGE) INCREASE OF COME TAX (FOR DECEMBER 20 (TOTAL MINIMUM WAGE INCREASE OF LO PERCENT FOR THE OGREST, 7 PERCENT FOR EVERYBODY ELSE) IS RATIFIED WITHOUT CHANGE. — 3) A SYSTEM OF BONUSES AND INCENTIVES NEGOTIATED BETWEEN LABOR AND BUSINESS WILL BE CREATED TO FOSTER GREATER PRODUCTIVITY. THIS PROCESS AND THE IMPLEMENTATION OF THE BONUSES WILL BE OVERSEEN BY A NEWLY CREATED "NATIONAL COMMISSION FOR PRODUCTIVITY." (COMMENT: THIS CAN PROVIDE DEFACTO WAGE INCREASES WHICH EMPLOYEES MAY BE WILLING TO PROVIDE IN ORDER TO WARD OFF LABOR PROBLEMS. END COMMENT)

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-- C) WITHOUT BEING ASKED TO COMMIT TO A TOTAL PRICE FREEZE,
BUSINESSMEN WILL BE ASKED TO MAKE AN EXTRAORDINARY EFFORT TO
REDUCE PRICE INCREASES AND PROFIT MARGINS. THEY WILL BE
ALLOWED TO PASS ON ONLY THOSE PRICE INCREASES THAT STEM FROM
INCREASES IN THE COST OF THEIR IMPORTED INPUTS, WITH OVERSIGHT
OF FULFILLMENT OF THIS COMMITMENT ENTRUSTED TO THE FEDERAL
ATTORNEY GENERAL FOR CONSUMER PROTECTION (PROFECO). (COMMENT:
FOR THIS TO HAVE ANY TEETH, PROFECO WILL HAVE TO BE BEEFED UP
ENORMOUSLY. END COMMENT)

- -- D) THE BASKET OF GOODS CONSUMED BY THE POOREST PEOPLE WILL NOT BE ALLOWED TO INCREASE BY MORE THAN THE PERCENTAGE BY WHICH THE MINIMUM WAGE INCREASES.
- -- E) GOVERNMENT-PROVIDED GODDS AND SERVICES WILL RISE IN PRICE. ALBEIT BY LESS THAN THE AMOUNT OF THE DEVALUATION. GASOLINE, DIESEL, AND ELECTRICITY PRICES WILL RISE, THOUGH BY

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LESS THAN THE RATE OF THE "EVALUATION (THOUGH GAS PRICES ON THE MORTHERN BODDER WILL CONTINUE TO BE SET EQUAL TO U.S. PRICES). (COMMENT: IT IS NOT CLEAR WHETHER PRICE PISES IN THESE INPUTS, SINCE THEY ARE NOT IMPORTED, WILL BE ABLE TO BE PASSED ON. IFFIREY ARE NOT, THE BUSINESS SECTOR WILL BE VERY HARD HIT. END COMMENT).

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MEXICO .00075 03 OF 04 0401592 PAGE DI ACTION ARAHUL ACDE-00 AGRE-00 CEA-01 CIAE-00 ACDA-17 AID-01 INFG LOG-00 SMEC-OD CTME-OD DASY-OD 0005-00 00EE-00 EB-01 2UP-01 FR3-01 IM (C-01 IM-03 EX I: -01 C0-3 FBIE-00 H-01 LAB-01 L-01 ADS-00 10-16 ITC-OF TEDE-00 INR-00 OPIC-01 PA-OL 00-k4 NSAE-00 MSCE-00 0M9-01 4-00 T-00 SS-00 STR-01 SP-00 \$\$0-00

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SECTION 03 OF 04 MEXICO 000075

DEPT PASS USTR/JMELLE DEPT PASS FEDERAL RESERVE BOARD AND EX-IM BANK DEPT PASS TO FOREIGN EXCHANGE AT FEDERAL RESERVE BANK OF NEW YORK USDOC FOR 6321/1TA/OFFICE OF MEXICO/TDICK AND DKARMIN USDUC FOR 4321/ITA/IEP/WH/OMCB/MD/RVARGO TREASURY FOR RUBIN RITTERHOFF, PATRICK PASCOE, JIM FALL, DEREK HILL

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LABOR PASS TO NAOZMONDEJAR

PARIS PASS DECD

E.O. 12356: BADR

TAGS: ECON, EFIN, ETRA, EINV, PGOV, MX

SUBJECT: SACRIFICE AND INFLATION CONTAINMENT -- THE GOM'S

EMERGENCY PLAN TO RESTORE CURRENT ACCOUNT BALANCE

SOCIAL RELIEF, ECONOMIC SUPPORT, AND DEREGULATION

-- A) DISTRIBUTORS. MANUFACTURERS, AND BUSINESSMEN WILL BE ASKED TO DEVELOP STRATEGIES FOR ENSURING THAT THE POOREST RECEIVE BASIC NECESSITIES WITHOUT UNDUE HARDSHIP.

- -- 3) THE GOM WILL FOSTER DISTRIBUTION PROGRAMS FOR BASIC NECESSITIES IN RURAL AND POOR AREAS, TOGETHER WITH PROVIDING BASIC CONSUMER PRICE, QUALITY, AND INGREDIENT INFORMATION TO POOR PEOPLE. THE GOM WILL ALSO USE PUBLICITY AND OTHER CAMPAIGNS TO ENCOURAGE THE USE OF NATIONALLY MANUFACTURED -PRODUCTS -
- -- C) THE SOCIAL SECURITY SYSTEM WILL REMAIN IN THE PUBLIC SECTOR, WITH ADDITIONAL SUPPORT GIVEN TO THE WORKER'S HOUSING AUTHORITY (INFONAVIT) AND THE WORKER'S FUND FOR SUPPORTING

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ONSUMPTION (JONATOT).

-- 0) PROCAMPO'S DIRECT SUPPORT PAYMENTS ARE INCREASED 5
PERCENT IN THE CURRENT GROWING CYCLE, TO 400 PESOS, AND 10
PERCENT FOR THE SPRING-SUMMER CYCLE OF 1995, TO 440 PESOS
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(COMMENT: WHAT EFFECT THIS WILL HAVE ON INCOMES DEPENDS: OF COURSE: ON THE INFLATION RATE: END COMMENT):

-- E) THE VARIOUS GOVERNMENT ORGANIZATIONS INVOLVED IN ACRICULTURE ALL DEVELOP AND IMPLEMENT INTEGRATED PRODUCTION

- AGRICULTURE FILL DEVELOP AND IMPLEMENT INTEGRATED PRODUCTION AND MARKETING STRATEGIES TO INCREASE THE EFFICIENCY AND PRODUCTIVITY OF THE RURAL SECTOR.
- -- F) IN 1995 THE GLM WILL GRANT 700,000 SCHOLARSHIPS FOR WORKER TRAINING FOR THOSE WHO ARE UNEMPLOYED OR WHO NEED TRAINING TO PERFORM THEIR JOBS, AN INCREASE OF 200,000 FROM THE ORIGINALLY PLANNED 500,000 SCHOLARSHIPS.
- -- G) A NATIONAL COUNCIL OF SMALL AND MEDIUM INDUSTRY WILL BE CREATED TO EXAMINE PROBLEMS AND RECOMMEND SOLUTIONS THAT AFFLICT THE COUNTRY'S SMALLER FIRMS. ILLUSTRATIVE EXAMPLES INCLUDE PROVIDING ADVICE AND COUNSEL IN THE AREAS OF TECHOLOGY, PRODUCTION PROCESSES, DESIGN, SALES, AND MARKETING.
- -- H) THE FEDERAL GOVERNMENT WILL ACCELERATE DEREGULATION IN ORDER TO ELIMINATE OBSTACLES TO ENTREPRENEURIAL ACTIVITY IN SUCH A WAY THAT HORKER'S INDIVIDUAL AND COLLECTIVE RIGHTS ARE NOT VIOLATED.
- -- I) THE GOM WILL COORDINATE A POLICY WHEREBY ALL THE STATE GOVERNMENTS AND THE GOVERNMENT OF THE FEDERAL DISTRICT PROCEED WITH ACCELERATED DEREGULATION OF BUSINESS ACTIVITY. (COMMENT: BOTH THIS AND THE PRECEDING ITEM RANK HIGH ON BUSINESSMENS! WISH LIST. RED TAPE INVITES CORRUPTION AND DELAY AND IS A MAJOR OBSTACLE TO EFFICIENCY ACCROSS—THE—BOARD. END COMMENT)
- PAGE 04 MEXICO 00075 03 UP 04 040159Z

 -- J) TO THE EXTENT ALLOWED BY ITS DBLIGATIONS, THE GOM WILL
 PROMOTE GOVERNMENT PROCUREMENT PRACTICES AIMED AT BENEFITTING
 MEXICAN COMPANIES. (COMMENT: NAFTA CIRCUMSCRIBES CONSIDERABLY
 MEXICO'S ABILITY TO PROVIDE NATIONAL PREFERENCE IN THIS AREA.
 END COMMENT.)
- -- K) THE GOM WILL GIVE SPECIAL SUPPORT TO LABOR-INTENSIVE -INDUSTRIES WITH EXPORT POTENTIAL, AND IN GENERAL WILL SEEK TO SUPPORT THE EXPORTING SECTOR MORE VIGOROUSLY THAN BEFORE. PRIVATIZATIONS
- --A) WITHIN SO DAYS INVITATIONS TO BID WILL BE PUBLICIZED TO PRIVATIZE THE TERMINALS OF THE PORTS OF VERACRUZ. MANZANILLO. LAZARO CARDENAS. AND TAMPICO-ALTAMIRA.
- --B) THE OPENING OF THE COUNTRY'S TELECOMMUNICATIONS SECTOR WILL BE MOVED UP FROM JANUARY 1. 1997 TO AUGUST. 1996. IN KEEPING WITH THE TERMS OF THE CONCESSION GRANTED TO TELMEX.

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CONCESSIONS FOR LOCAL TELEPHONE SERVICE WILL BE GRANTED IMMEDIATELY OR AS SOON AS POSSIBLE.

-- C) PRIVATE INVESTMENT WILL BE ALLOWED IN THE COUNTRY'S

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■SECTION 04 OF 04 MEXICO 000075

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DEPT PASS USTRIJMELLE DEPT PASS FEDERAL RESERVE BOARD AND EXHIM BANK DEPT PASS TO FOREIGN EXCHANGE AT FEDERAL RESERVE BANK OF NEW YORK USDOC FOR 6321/ITA/OFFICE OF MEXICO/TOICK AND DKARMIN USUDC FOR 4321/ITA/1EP/WH/OMCB/MD/RVARGO TREASURY FOR ROSIN RITTERHOFF, PATRICK PASCOE, JIM FALL, DEREK HILL

MEXICO 00075 04 0F 04 PAGE 02 . LABOR PASS TO NAGYMONGEJAR PARIS PASS DEED E.O. 12356: DADR TAGS: ECUN, EFIN, ETRA, EINV, POOV, MX SUBJECT: SACRIFICE AND INFLATION CONTAINMENT -- THE GOM*S EMERGENCY PLAN TO RESTURE CURRENT ACCOUNT BALANCE SATELLITE TELECOMMUNICATIONS SERVICES (THIS COULD REQUIRE CONSTITUTIONAL AMENDMENT) - PORTIONS OF THE RADIO-SPECTRUM WILL BE AUCTIONED OFF. PRIVATE INVESTMENT IN THE COUNTRY'S AIRPORT INFRASTRUCTURE WILL BE ENCOURAGED AND EXPEDITED OVER WHAT HAS BEEN ALLOWED TO DATE. --E) PRIVATE INVESTMENT WILL ALSO BE ENCOURAGED AND SUPPORTED IN THE NATIONAL RAILWAY NETWORK (THIS TOO MAY, DEPENDING ON WHAT THE SPECIFICS ARE, REQUIRE CONSTITUTIONAL MODIFICATION). --F) LEGAL MODIFICATIONS WILL BE MADE TO ALLOW GREATER FOREIGN INVOLVEMENT AND INVESTMENT IN BANKS AND IN THE FINANCIAL SERVICES INJUSTRY. (COMMENT: GIVEN THE SUBSTANTIAL DOLLAR DBLIGATIONS OF THE PRIVATE FINANCIAL SECTOR. THIS MOVE AND

ENSUING INFLOWS WILL HELP MINIMIZE FURTHER PROBLEMS. END

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04/03/97 122801 PRINTER: HS

95 MEXICO 75

COMMENT). REACTIONS

9. THOUGH THE MARKETS CLOSED BEFORE ZEDILLO'S SPEECH (REPORTED

PAGE 03 MEXICO J0075 04 GF 04 040159Z SEPTEL), THEY REACTED ADVERSELY TO THE DETAILS OF THE PACT THAT WERE LEAKED IN THE EARLY MORNING HOURS. AND ESPECIALLY TO ANTICIPATED LABOR JAHAPPINESS. BROKERAGE HOUSES AND FINANCIAL ANALYSTS SAID THAT THE PROLONGED AND BITTER NEGOTIATIONS WITH THE LABOR SECTUR, AND ITS OBVIOUS UNHAPPINESS WITH THE RESULTANT STATE OF AFFAIRS, COULD LEAD TO LABOR UNREST. THESE FEARS CAUSED THE STOCK MARKET TO DROP 29 POINTS, OR ABOUT 1.4 PERCENT, TO 2325 POINTS, THE PESO TO WEAKEN TO 5.25/5.40 (BUY/SELL) OF THE INTERBANK MARKET, AND PRIMARY ISSUE TESOBONDS TO RISE TO 12.5 PERCENT, UP TWO POINTS FROM LAST WEEK'S 10.5 PERCENT.

7. COMMENT: REFTEL CONVEYED THE BROAD LINES OF WHAT THE EMERGENCY PLAN ENTAILED: WHAT EVENTUALLY EMERGED DIFFERED ONLY MODESTLY FROM EARLIER PREDICTIONS. CONCRÉTE RESTRAINTS WILL REMAIN ON WAGES, WITH LESS STRINGENT RESTRAINTS ON THE BUSINESS SECTOR. THE LABOR SECTOR HAS ALREADY BORNE A HEAVY SHARE OF THE AUSTERITY ASCENDING BACK TO 1982. OVER THE LAST 12 YEARS LABOR S

URCHASING POWER LOST MORE, AND THEN RECOUPED LESS, RELATIVE TO DIHER SECTORS OF THE ECONOMY, LEADING TO LABOR'S RELUCTANCE TO SIGN UN TO TODAY'S PACT. BECAUSE LABOR BELIEVES THAT IT LOST GROUND IN THE SALINAS YEARS, AND BECAUSE ZEDILLO CAMPAIGNED ON A PROMISE OF GREATER WELL-BEING FOR THE FAMILY, DISILLUSIONMENT IS NOW EXACERBATED. SANTIAGO ONATE, THE SECRETARY OF LABOR, WILL HAVE A DIFFICULT JOB, AS THE LIKELIHOOD OF LABOR UNREST HAS RISEN MARKEDLY.

10. COMMENT CONTINUED: THE PRESENTATION OF THE EMERGENCY PLAN, AS WELL AS PRESIDENT ZEDILLO'S SPEECH, WAS ADDRESSED PRIMARILY TO THE MEXICAN PEOPLE. THE GOM NEEDED TO CONCENTRATE

PAGE 04 MEXICO 00075 04 OF 04 040159Z ON A RESTIVE CONSTITUENCY - A PEOPLE, AND PARTICULARLY A LABOR SECTOR, WITH LITTLE PATIENCE LEFT FOR AUSTERITY. IN CURRENT POLIFICAL PARLANCE, ZEDILLO ACTED TO SECURE HIS "BASE." ANOTHER IMPORTANT CONSTITUENCY IS WALL STREET. SECRETARY OF HACIENDA ORTIZ WILL REPORTEDLY TRAVEL TO NEW YORK JANUARY 4 TO MAKE THAT PRESENTATION TO THE FINANCIAL COMMUNITY. VIEW. THE NEW PACT GOES A CREDIBLE DISTANCE IN THE RIGHT ECONOMIC DIRECTION, BUT THE SOCIAL COST WILL BE HIGH. END COMMENT JONES





04/03/97 121647 PRINTER: HG

95 MEXICO 502

MEXICO 00502 02 1013072 PAGE OL ACTION ARA-OL CEA-01 CIAE-06 CTME-00 ACDE-00 AIDHUL INFO 100-00 ACDA-17 FRB-01 FBIE-00 · DASY-OD 000E-00 EB-01 EXIM-01 E = 0.0H-01 10-0MM1 TEDE-00 INR-00 ITC-01 JUSE-00 LAB-01 SP-00 NSCE-00 OM8-01 0P1C-01 NSAE-00 L-01 ADS-00 G-00 7040W SS0-00 55-00 STR-OI USIE-00 DRL-09 ---9A345A 1013082 /38

O 100108Z JAN 95
FM AMEMBASSY MEXICO
TO SECSTATE WASHOC IMMEDIATE 9362
INFO TREASURY WASHOC IMMEDIATE
NAFTA COLLECTIVE
USDOC WASHOC

SECTION OF OF MEXICO 000502

DEPT PASS USTR/JMELLE

DEPT PASS FEDERAL RESERVE BOARD AND EX-IM BANK

DEPT PASS TO FOREIGN EXCHANGE AT FEDERAL RESERVE BANK OF NEW YORK

USDOC FOR 6321/ITA/OFFICE OF MEXICO/TDICK AND DKARMIN

USDOC FOR 4321/ITA/IEP/WH/OMCB/MD/RVARGO

TREASURY FOR DASIA

DEPT PASS LABOR FOR NAD/MONDEJAR AND GRIEGO AND ILAB/PEREZ

LOPEZ AND WHOLEY

€.0. 12356: JADR

TAGS: ECON, EFIN, ETRO, EINV, MX

SUBJECT: CONTINUING REACTIONS AND ATTITUDES ON THE MEXICAN

PAGE 02

MEXICO 00502 01 DF 02 1013072 DEVALUATION AND THE EMERGENCY ECONOMIC PLAN

REF. MEXICO 00377 AND PREVIOUS

1. CONFIDENTIAL - ENTIRE TEXT

2. SUMMARY: ON JANUARY 9 THE MEXICAN PESO STRENGTHENED FROM 5.85 TO 5.4 PESOS TO THE DOLLAR, INTERBANK MONEY MARKET INTEREST RATES ROSE ABOUT 4 PERCENT TO 32 PERCENT, AND THE STOCK MARKET TUMBLED 6.65 PERCENT, AS A CONSEQUENCE OF ARBITRAGE BETWEEN THE NEW YORK AND THE LOCAL MARKET FOR THOSE STOCKS QUOTED ON BOTH, SELL RECOMMENDATIONS FROM U.S. BROKERAGE HOUSES, AND SOME INVESTOR PANIC. THE IMF ANNOUNCED THAT IT WAS SENDING A TEAM TO ESTABLISH A STAND-BY LINE OF CREDIT, REPORTEDLY AS MUCH AS 2.5 BILLION DOLLARS. THERE IS INCREASING CONCERN OVER THE PROBLEM OF THE DEBT LOAD — DOMESTIC PRIVATE DEBT AND PRIVATE AND PUBLIC DEBT DENOMINATED IN FOREIGN EXCHANGE — AND MEXICO'S ABILITY TO CARRY THIS BURDEN. END SUMMARY

MARKET MOVEMENTS

INCLASSIFIED

DIA Exemptions () CLASSIFY as () S or () C Sec. TS authority () DOWNGRADE TS to () S or () C

EO Citations

PAGE

^{3.} THE MEXICAN PESO STRENGTHENED CONSIDERABLY ON JANUARY 9. CLOSING AT THE INTERBANK RATE OF 5.4 TO THE DOLLAR. COMPARED TO 5.85 ON FRIDAY. ANALYSTS SAID THAT THIS WAS DUE TO REPORTED

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PRINTER: HG

95 MEXICO 502

SALES OF DOLLARS BY THE U.S. FEDERAL RESERVE TO BUY PESOS.
MEXICAN STOCKS QUOTED AS ADR'S IN NEW YORK BEGAN THE DAY BY
STRENGTHENING, BUT THE REVALUATION OF THE PESO CAUSED-STOCK:
PRICES IN PESOS TO DESCEND FROM THE OPENING IN MEXICO CITY (DUE
TO ARBITRAGE MOVEMENTS IN NEW YORK). THE MEXICAN STOCK MARKET

PAGE 03 MEXICO 00502 01 OF 02 101307Z
DROPPED 80 POINTS IN THE MORNING, PROMPTING PANIC SELLING
THROUGH THE REST OF THE DAY. BY ITS CLOSE THE MEXICAN STOCK
MARKET HAD DROPPED 149.88 POINTS, OR 6.65 PERCENT, TO CLOSE AT
2104 POINTS. THE SELL-OFF WAS ALSO PARTIALLY EXPLAINED BY
NUMEROUS SELL RECOMMENDATIONS FROM U.S. BROKERAGE HOUSES, BASED
ON THEIR VIEW THAT MEXICO IS ENTERING A RECESSIONARY PERIOD.
THE INTERBANK MONEY MARKET INTEREST RATE ROSE ABOUT 4 PERCENT,
TO 32 PERCENT, FROM ITS CLOSE ON FRIDAY.
IMF SUPPORT

4. THE IMF DECLARED THAT IT WAS SENDING A TEAM TO STUDY THE DETAILS OF A STAND-BY LOAN AGREEMENT WITH MEXICO. NEWSPAPERS REPORTED THAT THE IMF STAND-BY COULD REACH 2.5 BILLION DOLLARS. FROM THE GOM'S POINT OF VIEW, ENDORSEMENT OF ITS ECONOMIC PLAN BY THE IMF, IN THE FORM OF AN ANNOUNCEMENT FROM IMF MANAGING DIRECTOR MICHEL CAMDESSUS THAT MEXICO'S EMERGENCY POLICIES "PROVIDE A SOLID BASIS OF AGREEMENT WHICH COULD BE SUPPPORTED BY IMF RESOURCES" CONSTITUTES A VOTE OF CONFIDENCE IN THE PLAN'S CREDIBILITY.

5. THERE IS GROWING CONCERN THAT THE DEVALUATION, HIGH INTEREST RATES, AND THE FOREIGN DEBT LOAD MAY BE AN EXCESSIVELY HEAVY BURDEN ON THE BUSINESS SECTOR. THE NATIONAL CHAMBER OF MANUFACTURERS (CANACINTRA), HAS PRESENTED A 12 POINT PLAN OF DEBT RESTRUCTURING. IT WOULD INCLUDE AUTOMATIC MECHANISMS TO STRETCH OUT THE PAYMENT OF ALL DOMESTIC BUSINESS AND COMMERCIAL

MEXICO 01 OF 02 00502 1013072 DEBT DUE BETWEEN 19 DECEMBER 1994 AND 31 MARCH 1995. THE PROPOSAL, WHICH AMOUNTS TO A DESPERATE PLEA FOR HELP, INCLUDES A 6-MONTH GRACE PERTOD OR MORATORIUM ON ALL DELINQUENT LOANS, A SPECIAL EXCHANGE RISK COVERAGE SCHEME FOR ALL COMPANIES WITH DOLLAR-DENOMINATED DEST AS OF DECEMBER 19. AND A REQUEST TO THE BANKING SECTOR TO REDUCE ITS INTEREST RATE SPREADS. IT ALSO REQUESTS THAT THERE BE A 6-MONTH DELAY IN THE CHARGES OF FINES, PENALTIES, AND INTEREST FOR DELAYED TAX, SOCIAL SECURITY. HOUSING, AND RETIREMENT CONTRIBUTIONS. (COMMENT: THIS IS A WISH LIST, REFLECTING THE FINANCIAL PRESSURE HITTING MEXICO'S MANUFACTURERS, RATHER THAN A PREVIEW OF LIKELY MEASURES OF FISCAL RELIEF IN WHAT PROMISES TO BE A VERY DIFFICULT 1995. END COMMENT)

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95 MEXICO 502

6. THE MEXICAN BANKING SECTORFACES EVEN MORE IMMEDIATE PRESSURES AS A CONSEQUENCE OF THE DEVALUATION (REPORTED SEPTEL). THE BANK OF MEXICO ANNOUNCED A TEMPORARY CAPITALIZATION SUPPORT SCHEME FOR THOSE MEXICAN BANKS WORST HIT BY THE DEVALUATION. THE MEXICAN EQUIVALENT OF THE FOIC, THE BANKING FUND TO PROTECT SAVINGS (FOBAPROA) WILL ACQUIRE SECONDARY BANK OBLIGATIONS FROM THOSE BANKS WHO FIND NO TAKERS FOR THEIR BOYDS OR OTHER FINANCIAL INSTRUMENTS. THE BANK OF MEXICO IS OPENING A CREDIT LINE TO FOBAPROA FOR THIS PURPOSE.

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04/03/97 121647 PRINTER: HG

95 MEXICO 502

PAGE 01 MEXICO 00502 02 DF 02 101308Z ACTION ARA-OL INFO LBG-00 ACDA-17 ACDE-00 AID-01 CEA-01 CIAE-00 CTME-00 000E-00 EB-01 E-00 CG-YZAD EXIM-01 FBIE-00 FRB-01 H = 0.1IMMC-OI TEDE-00 INR-00 ITC-01 JUS E-00 LAB-01 L-01 ADS-00 NSAE-00 NSCE-00 OMB-01 OPIC-01 \$P-00 SS 0-00 SS-00 STR-31 USIE-00 DRL-09 G-00 /040W ----9A3460 101308Z /38

O 100108Z JAN 95 FM AMEMBASSY MEXICO TO SECSTATE WASHDC IMMEDIATE 9363 INFO TREASURY WASHDC IMMEDIATE NAFTA COLLECTIVE USDOC WASHDC

SECTION 02 OF 02 MEXICO 000502

DEPT PASS USTR/JMELLE
DEPT PASS FEDERAL RESERVE BOARD AND EX-IM BANK
DEPT PASS TO FOREIGN EXCHANGE AT FEDERAL RESERVE BANK OF NEW YORK
USDOC FOR 6321/ITA/OFFICE OF MEXICO/TDICK AND DKARMIN
USDOC FOR 4321/ITA/IEP/WH/OMCB/MD/RVARGO
TREASURY FOR DASIA
DEPT PASS LABOR FOR NAD/MONDEJAR AND GRIEGO AND ILAB/PEREZ
LOPEZ AND WHOLEY
E.O. 12356: DADR
TAGS: ECON, EFIN, ETRD, EINV, MX
SUBJECT: CONTINUING REACTIONS AND ATTITUDES ON THE MEXICAN

PAGE 02 MEXICO 00502 02 0F 02 101308Z

DEVALUATION AND THE EMERGENCY ECONOMIC PLAN
INTENDING TO STERILIZE ANY CAPITAL INJECTIONS INTO THE BANKS IN
SUCH A WAY THT BANKS WILL NOT BE ALLOWED TO EXTEND MORE
CREDIT. AT THE SAME TIME, MEXICO'S PRIVATE BANKING SECTOR IS
BEGINNING A FOREIGN TOUR (ROAD SHOW) WITH BANK OF MEXICO AND
HACIENDA OFFICIALS TO REASSURE FOREIGN CREDITORS THAT MEXICAN
BANKS WILL BE ABLE TO WEATHER THE CRISIS. (COMMENT: THE
MEXICAN STOCK MARKET IS NOT SO SURE OF THIS. THE LIST OF
GREATEST LOSSES IN SHARE VALUES DAY-TO-DAY IS DOMINATED BY THE
BANKS. WITH BANPAIS. A HEAVILY DOLLAR-LEVERAGED INSTITUTION.
HAVING ITS SHARES LOSE 46 PERCENT OF THEIR VALUE ON JANUARY 6).
JONES



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MEXICO 2460 01 UU619 120050Z

ACTION ARA-OL

INFO LUG-00 ACDA-17 4005-00 AID-01 CÉA-01 CIAE-00 CTME-00 DASY-0J U001-00 68-01 EXIM-01 E-00 FBIE-00 FRB-01 H-DI IMME-OI TEDE-00 INR-00 ITC-01 -JUS E-06 LC-EAJ L-01 ADS-00 GSCE-03 NSAE-00 DMB-01 SPIC-01 SP-JO SSO-00 S S = 20 ST2-CI USIE-00 ORL-09 0-00 /04CW

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NAFTA COLLECTIVE

MEXICO 000619

DEPT PASS USTRIJUMELLE DEPT PASS FEDERAL RESERVE BOARD AND TEX-IM BANK DEPT PASS TO FOREIGN EXCHANGE AT FEDERAL RESERVE BANK OF NEW YORK USDOC FOR 6321/ITA/DEFICE OF MEXICOTDICK AND DEARMIN USPUC FOR 4321/ITA/IEP/WH/OMCE/MO/RVARGO TREASURY FOR DASIA DEPT PASS LABOR FOR NAUZMONDEJAR AND GRIEGO AND ILAB/PEREZ LOPEZ AND WHOLEY E.O. 12356: DADR TAGS: ECON, EFII, ETRO, TEINV, MK

SUBJECT: CONTINUING REACTIONS TO THE MEXICAN EMERGENCY

PAGE 02 MEXICO UU517 1200502

ECONOMIC PLAN: LABOR WANTS ITS SHARE AND THE STOCK MARKET TUMBLES AGAIN

REF. MEXICO 00502 AND PREVIOUS

CONFIDENTIAL - ENTIRE TEXT

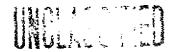
2. SUMMARY: IN LABOR'S OPENING GAMBIT IN CONTRACT NEGUTIATIONS, THE NATIONAL COMMITTEE OF THE MEXICAN LABOR CONFEDERATION (CTM) REPORTEDLY SENT CIRCULARS TO ITS STATE FEDERATIONS AND AFFILIATED NATIONAL UNIONS CALLING ON THEM TO SEEK WAGE INCREASES OF 15.3 PERCENT IN EXISTING CONTRACTS AND 56 PERCENT ON NEW CONTRACTS, TO RESTORE THE LOST PURCHASING POWER OF WAGES. ON JANUARY 10 THE MEXICAN PESO OPENED UNDER PRESSURE AT 5.50 TO THE DOLLAR. BY NOON IT WEAKENED TO 5.90 BEFORE REGAINING SOME STRENGTH STRENGTH AND CLOSING AT 5.80. THE STOCK MARKET CONTINUED ITS MELTDOWN, DROPPING 6.26 PERCENT. THE TWO-DAY LOSS IS 12.5 PERCENT. THE BANK OF MEXICO ANNOUNCED THAT 1994 INFLATION WAS 7.05 PERCENT AND THAT THE DEVALUATION IN DECEMBER HAD LITTLE IMPACT ON THIS RATE. END SUMMARY.

LABOR WANTS ITS SHARE

THE PRESS REPORTED ON JANUARY LO THAT THE NATIONAL



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04/93/97 124524 PRINTER: HG

95 MEXICO 617

COMMITTEE OF THE MEXICAN LABOR CONFEDERATION (CTM) SENT CIRCULARS TO ITS STATE FEDERATIONS AND AFFILIATED NATIONAL UNIONS CALLING ON THEY TO SEEK WAGE INCREASES OF 15.3 PERCENT IN OFF-YEAR HAGE REOPENER NEGOTIATIONS AND 56 PERCENT WHEN MEGOTIATING AND 140-YEAR CONTRACTS. THIS, IT SAID, WOULD

PAGE 03 MEXICO DUGLY 120050Z
RESTURE THE LOST PURCHASING POWER OF WAGES AS A RESULT OF THE DEVALUATION. MOST CONTRACT RENEGOTIATIONS FALL IN THE FIRST THREE MONTHS OF THE YEAR. SO THIS REPRESENTS LABOR'S OPENING POSITION IN PROMING CONTRACT NEGOTIATIONS. THE CIRCULAR EMPHASIZED THAT THE WORKING CLASS HAD MADE MORE OF A SACRIFICE THAN OTHER CLASSES TO ACHIEVE NATIONAL RECOVERY WITHOUT OBTAINING REMETTS TO IMPROVE ITS CRITICAL ECONOMIC SITUATION. THE DEVALUATION AND THE RESULTING PRICE INCREASES HAVE ACCELERATED THE POWERTY OF THE WORKING CLASS. MARKET MOVEMENTS

THE MEXICAN PAST YUMYOOD ON JANUARY 10, CLOSING AT THE INTERBANK RATE OF 5.8 TO THE DOLLAR. REVERSING THE GAINS MADE N JAN 9. THE PESO OPENED UNDER PRESSURE AT 5.60 TO THE OCLLAR. BY NOON IT WEAKENED TH 5.90 BEFORE REGAINING SOME STRENGTH AT THE END OF THE DAY. AS ON THE PAST TWO TUESDAYS, STRONG DEMAND FOR DOLLARS WAS RELATED TO PURCHASES OF DOLLARS IN ANTICIPATION OF THE JANUARY 12 MATURING OF TESOBONOS (THIS WEEK OF APPROXIMATELY USD 580 MILLION). THE MEXICAN STOCK MARKET ALSO HAD A SEE-SAW DAY WITH A HIGH VOLUME OF 172 MILLION SHARES TRADED. IT LOST 11.30 PERCENT OF ITS VALUE BY MID-DAY AND THEN REGAINING STRENGTH TO CLOSE WITH A LOSS OF 131.72 POINTS OR 6.26 PERCENT OF ITS VALUE. THE INDEX CLOSED AT 1972. THE FIRST TIME UNDER 2000 SINCE LAST MARCH, FOLLOWING THE COLOSIO ASSASSINATION. THE MARKET HAS LOST 281 POINTS SO FAR THIS WEEK. OR A DROP OF 12.5 PERCENT. OF THE 85 STOCKS TRADED IN THE INDEX. '77 LOST VALUE, DNLY THREE GAINED AND FIVE WERE UNCHANGED. ANALYSTS SAY THAT THE SELLING PRESSURE RESULTED FROM THE IMPRESSION THAT, FOLLOWING THE PESO DEVALUATION.

PAGE 04 MEXICO 50519 1200502

MEXICAN STOCKS ARE OVERVALUED DUE TO LOWER PROFIT PROSPECTS.

BARGAIN HUNTERS HAD A FEAST IN THE AFTERNOON TO GENERATE THE SLIGHT RECOVERY.

1994 INFLATION TWO POINTS OVER TARGET

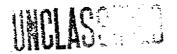
5. TO CLOSE WITH SOME GOOD NEWS. THE BANK OF MEXICO ANNOUNCED THAT 1994 INFLATION WAS 7.05 PERCENT. THE DEVALUATION DURING THE LAST 19 DAYS OF DECEMBER HAD LITTLE IMPACT ON THE 0.9 PERCENT INCREASE IN THE CONSUMER PRICE INDEX DURING THE MONTH.

THE ORIGINAL TARGET FOR INFLATION IN 1994 WAS 5.0 PERCENT. LATER REVISED TO 5.5 PERCENT; NEVERTHELESS, THE 1994 RESULT WAS

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95 MEXICO 619

AN IMPROVEMENT DVER THE 8.01 PERCENT INCPEASE REGISTERED IN 1993. JUNES





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95 MEXILO 714

01 UF 02 PAGE 01 MEXICO 1200192 ACTION ARA-01 AID-OL CIAE-OD CTMEHOU INFO LOG-05 71-ACDA 4C0E-00 CEA-01 EX [1-01 0305-00 8**5-01** E-0C F2I6-00 FRB-01 **したニャスム**じ TE0E-00 £NR-00 ITC-01 JUSE-00 LABOUR 10-H 144L-C1 NISCE-00 NSAE-90 10-8%C 091C-01 SP-00 L=0.1A)S-U0 USIE-00 DRL-09 \$\$0-00 SS-00 STR-01 6-00 **7**040₩ ---9A52F5 1200202 /38

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FM AMEMBASSY MEXICO
TO SECSTATE MASHDO IMMEDIATE 9460
INFO TREASURY MASHDO IMMEDIATE
USDOC WASHDO
NAFTA COLLECTIVE

SECTION OF OF MEXICO 000714

DEPT PASS USTRYLMELLE
DEPT PASS FEDERAL RESERVE BOARD AND EX-IM BANK
DEPT PASS TO FOREIGN EXCHANGE AT FEDERAL RESERVE BANK OF NEW YORK
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USDOC FOR 4321/ITA/1EP/WH/OMCS/MD/RVARGO
TREASURY FOR CASIA
DEPT PASS LABOR FOR NAO/MONDEJAR AND GRIEGO AND ILAB/PEREZ
LOPEZ AND WHOLEY

6.0. 12356: DECL: DADR
TAGS: ECON, EFIN, ETRO, EINV, ELAB, MX

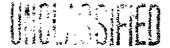
SUBJECT: PESO CRÍSIS ÚPDATE

PAGE 02 MEXICO 00714 01 0F 02 120019Z

REF. MEXICO 00619 AND PREVIOUS 1. CONFIDENTIAL - ENTIRE TEXT

THE MEXICAN STOCK MARKET STRENGTHENED DUE TO SUMMARY: BARGAIN HUNTING, INTEREST RATES SHOT UP, AND THE PESO STRENGTHENED SLIGHTLY ON JANUARY II. THE GOVERNMENT HAS ANNOUNCED SUDGET CUTS IN ADMINISTRATIVE CUSTS AND A HIRING FREEZE. BASIC BASKET, OF GOODS COSTS (NECESSITIES TO MEXICO'S POOR) ARE SLATED TO GO UP BETWEEN 15 AND 30 PERCENT, PROMPTING LABOR CALLS FOR HIGHER WAGE SETTLEMENTS THAN THOSE CALLED FOR MEXICO'S FOREIGN DEST LOAD IS RISING TO LEVELS IN THE PACT. CLOSE TO THOSE PREVAILING IN 1988. THE MEXICAN BANKS WILL BE OPENED UP TO 100 PERCENT FOREIGN OWNERSHIP; THEY HAVE REFUSED TO ANSWER INDUSTRY CALLS FOR ACCROSS-THE-BOARD DEBT RELIEF AND RESTRUCTURING. VOLKSWAGEN IS CUTTING PRODUCTION BECAUSE OF LOWER DOMESTIC DEMAND. A SPECIAL SESSION OF CONGRESS WAS CALLED TO CONSIDER MODIFICATIONS TO THE CONSTITUTION TO ALLOW GREATER PRIVATE PARTICIPATION IN RAILWAYS AND SATELLITES. MEXICAN STEEL INDUSTRY, HAVING LARGELY COMPLETED ITS MODERNIZATION, THINKS IT WILL COME OUT AHEAD WITH THE DEVALUATION. END SUMMARY MARKET HOVEMENTS

PAGE



04/03/97 124510 PRINTER: . HS

95 MEXICO 71+

3. BARGAIN HUNTERS CONTINUED TO DOMINATE THE MEXICAN STOCK MARKET, WHICH CLOSED UP 55 POINTS (2.5 PERCENT) TO 2027. ANALYSTS REPORT THAT MALIONAL FLYANCIERA INTERVENED SLIGHTLY IN THE MARKET. 1957 MEXICAN STOCKS QUOTED ON THE NEW YORK STOCK CONFIDENTIAL

CONFIDENTIAL

PAGE 03

MEXICO 00714 01 DF 02 120019Z

EXCHANGE RECOVERED STRONTLY. IN THE EXCHANGE MARKET, THE PESO

STRENGTHENED SLIGHTLY TO 5.75 PER DOLLAR, UP FROM 5.8 AT

YESTERDAY'S CLOSE. PRIMARY MARKET 28-DAY CETES SHOT UP 7

POINTS TO 40 PERCENT. IN AN INSIGHT INTO HOW THIS CREDIT

CRUNCH HAS AFFECTED BUSINESS, COMMERCIAL BANK CREDIT IS

GENERALLY AVAILABLE TO GOOD CUSTIMERS AT BI PERCENT, WITH NO

TERMS OVER 30 DAYS.

PRICE INCREASES IN THE BARE NECESSITIES

4. SECOFI UNDERSECPETARY FOR INTERNAL COMMERCE EUGENIO CARRION ANNOUNCED APPROVAL FOR PRICE INCREASES IN SOME OF THE 80 ITEMS THAT CONSTITUTE THE BASIC MARKET BASKET OF GOODS. MILK PRICES WILL INCREASE 15 PERCENT, WITH OTHER PRICE INCREASES IN MEAT, MEDICINES, AND OTHER GOODS TO BE ANNOUNCED SHORTLY. PRICE RISES IN THESE AREAS COULD BE AS HIGH AS 30 PERCENT. HE ALSO SAID THAT THE PRICES OF TURTILLAS AND SUGAR WOULD NOT RISE. PRIVATIZATION

5. THE ZEDILLY ADMINISTRATION ANNOUNCED ITS PLAN OF ACTION FOR THE SPECIAL SESSION OF CONGRESS TO PASS LEGAL INITIATIVES TO DEAL WITH THE PESO CRISIS. THE CONGRESS WILL BE ASKED TO MODIFY ARTICLE 25 JF THE CONSTITUTION IN ORDER TO ALLOW PRIVATE INVESTMENT IN THE NATIONAL RAILROAD AND THE SATELLITE OPERATING AGENCY. OTHER LEGAL INITIATIVES TO BE TAKEN UP BY THE SPECIAL SESSION WILL BE THE LEGISLATION ALLOWING FOREIGNERS TO OWN UP TO 100 PERCENT UF A BANK AND THE NECESSARY LEGAL MOVE THAT WOULD ALLOW AN UPWAPD ADJUSTMENT OF THE MAXIMUM PUBLIC DEBT

PAGE 04 MEXICO DUT14 OL OF 02 1200192 CEILING. PROMISES OF SUPPORT...PROMISES OF INDESTEDNESS

6. MEXICAN FOREIGN MINISTER JOSE ANGEL GURRIA IS RATTLING THE TIN CUP IN JAPAN AND CANADA. NEWSPAPERS REPORT THAT JAPAN HAD CONFIRMED THAT ITS CENTRAL BANK WOULD SUPPORT MEXICO WITH A USD ONE BILLION LINE OF CREDIT THROUGH THE BANK OF INTERNATIONAL SETTLEMENTS. AT THE SAME TIME, FINANCIAL ADVISORS AND ANALYSTS RAISED A WARNING FLAG WITH REGARD TO THE MEDIUM TERM IMPLICATIONS OF GREATER MEXICAN INDEBTEDNESS. THE BANK OF TOKYO REPRESENTATIVE IN MEXICO SAID THAT MORE EXTERNAL DEBT WAS NOT THE SOLUTION TO THE LOOMING CRISIS. SEVERAL BROKERAGE HOUSES HAVE CONCLUDED THAT AS A CONSEQUENCE OF THE DEVALUATION.

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MEXICU'S TOTAL FOREIGN DEBT LOAD WILL INCREASE FROM 33 TO 52 ERCENT OF SPISS DOMESTIC PRODUCT (GDP). PRIVATE FOREIGN DEST WILL RISE FROM 15 TO 21 PERCENT, AND PUBLIC SECTOR DEBT WILL RISE FROM 23 TO 31 PERCENT. THE FIGURE OF TOTAL FOREIGN DEBT EQUAL TO 52 PERCENT OF GDP IS UNCOMFORTABLY CLOSE TO THE F9 PERCENT FIGURE PRISTING WHEN FURTER PRESIDENT SALINAS TOOK OFFICE IN DECEMBER 1988, SETTING AS HIS FIRST PRIORITY THE RENEGOTIATION OF THAT BURDEN. MODDY'S MEXICO ANALYSIS SERVICE.

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PAGE OI MEXICO 00714 02 0F 02 120020Z ACTION ARA-GE INFU LOG-OU ACDA-17 ACDE-00 AID-01 CEA-01 CIAE-00 CTME-00 F8IE-00 FR8-01 GASY-00 0005-00 EB-01 EXIM-01 E-00 TEDEFOO H - 0.1IMMC-01 INR-00 ITC-01 JUSE-00 LAB-U1 NSAE-00 NSCE-00 L-01 DO-2CA 0MB-01 OPIC-OL -SP-00 SG-03 ORL-09 \$5-00 ° STRHOI USIE-00 G-00 7043W ----9AE308 120021Z /38

AMEMBASSY MEXICO
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NAFTA COLLECTIVE

SECTION 02 OF 02 MEXICO 000714

DEPT PASS USTRIJMELLE

DEPT PASS FEDERAL RESERVE BOARD AND EX-IM BANK

DEPT PASS TO FOREIGN EXCHANGE AT FEDERAL RESERVE BANK OF NEW YORK

USDGC. FUR 6321/ITA/UFFICE OF MEXICO/TDICK AND DKARMIN.

USDOC FOR 4321/ITA/IEP/WH/OMC3/MO/RVARGO

TREASURY FOR GASIA

DEPT PASS LABOR FOR NACZMONDEJAR AND GRIEGO AND ILAB/PEREZ

LOPEZ AND WHOLEY

E.O. 12356: DECL: DADR

TAGS: ECOM, EFIN, ETRO, EINV, ELAB, MX

SUBJECT: PESU CRISIS UPDATE

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IN A SEPARATE STATEMENT, SAID THAT THE KEYS TO AVOIDING A DEBT
CRISIS IN THE SHORT TERM INCLUDED THE PSYCHOLOGICAL ASSURANCE
OF FOREIGN INVESTORS, MAINTAINING INFLATION UNDER CONTROL, AND
KEEPING A TIGHT LIG ON GOVERNMENT EXPENDITURES. (COMMENT: THE
FOREIGN DEST IS ONE OF THE KEY INDICATORS WHICH ANALYSTS WILL
WATCH IN THE MEDIUM TERM AS MEXICO GRAPPLES WITH THE CRISIS,
AND IT COULD BE A MINEFIELD FOR THE ECONOMY. END COMMENT)
GOVERNMENT AUSTERITY

7. CONTROLLER GENERAL NORMA SAMANIEGO ANNOUNCED A SERIES OF MEASURES TO DIMINISH ADMINISTRATIVE COSTS. THESE INCLUDED A HIRING FREEZE, A PROHIBITION ON THE PURCHASE OF NEW CARS AND FIRST CLASS AIR-LINE TICKETS, A REDUCTION IN SIZE OF DELEGATIONS TO OFFICIAL CONFERENCES, CUTS IN PER-DIEM RATES, STRICT CEILINGS ON CELLULAR PHONE USAGE (INCLUDING THE OBLIGATION OF THE USER TO PAY OUT OF HIS OWN POCKET ABOVE THE CEILING), THE ELIMINATION OF PRESS-CLIPPING SERVICES FOR ALL SUT SECRETARIES AND UNDER-SECRETARIES AND THE REQUIREMENT THAT FOREIGN TRAVEL BY GOM OFFICIALS BE AUTHORIZED BY AGENCY OR DEPARTMENT HEADS.

BANKS, DELINQUENT LGANS, AND CAPITAL REQUIREMENTS.



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R. THE BANK OF MEXICO ANNOUNCED THAT IT WAS ESTABLISHING A USD BOO MILLION FUND TO ASSIST BANKS WHO, AS A CONSEQUENCE OF THE DEVALUATION, WERE HAVING PROBLEMS MEETING THEIR RESERVE REQUIREMENTS. AS HE HAVE REPORTED REFTEL, THE FUND WILL BE

ME XIUU -00714 02 OF 02 120020Z HANDLED BY THE MEXICAN EQUIVALENT OF THE FOIC. THE FOBAPROA (BANKING FUND FOR THE PROTECTION OF SAVINGS). 9. COPARMEX. THE MEXICAN EMPLOYERS ASSOCIATION. ADDED ITSELF TO CAMACINTRA'S REQUEST (REPORTED EARLIER) THAT THE MEXICAN BANKING INDUSTRY ADOPT A POLICY OF PROVIDING DEBT RELIEF AND RESTRUCTURING TO MEXICAN INDUSTRY. IN RESPONSE, THE MEXICAN BANKING ASSOCIATION (AMB) ANNOUNCED THAT IT WOULD REVIEW THE RESTRUCTURING OF DEST ON A CASE TO CASE BASIS, BUT THAT IT WOULD NOT HOMOR INJUSTRY-WIDE OR ASSOCIATED REQUESTS FOR DEBT RELIEF. IN EFFECT, THE AMB SAID NO TO CANACINTRA AND COPARMEX. 10. BANK OF MEXICO OFFICIALS ALSO ANNOUNCED THAT NEW LEGISLATION EASING ENTRY AND ALLOWING UP TO LOO PERCENT OWNERSHIP OF MEXICAN FINANCIAL INSTITUTIONS (BANKS) WOULD BE PUBLISHED WITHIN A FEW DAYS. THE MEXICAN PRESS REPORTED THAT SEVERAL FOREIGN BAIKS WERE LOOKING TO EXPAND INTO MEXICO. SINGLING OUT CIFICORP, BANKAMERICA, NATION'S BANK, CHEMICAL, CHASE MANHATTAN, AND FIRST INTERSTATE AS THE MOST INTERESTED IN PURCHASING CONTROLLING INTERESTS IN MEXICAN BANKS. CUPE DNA 2000

11. VOLKSWAGEN DE MEXICO ANNOUNCED THAT IT WOULD BE SUSPENDING AUTOMOBILE PRODUCTION DESTINED FOR THE DOMESTIC MARKET DURING THE WEEK OF JANUARY 23-27. THIS WILL FOREGO PRODUCTION OF AS MANY AS 8000 VEHICLES. DURING THE CUT, EMPLOYEES WILL BE GIVEN HALF-PAY. PRODUCTION FOR THE EXPORT MARKET WILL CONTINUE WITHOUT INTERRUPTION. THE MEASURE WAS TAKEN, IN VW'S WORDS, TO ADJUST PRODUCTION TO DIMINISHED DOMESTIC DEMAND IN A

PAGE 04 MEXICO SOTIA 02 OF 02 120020Z RECESSIONARY ENVIRONMENT.

12. THE MATIONAL STEEL PRODUCERS ASSOCIATION SAID THAT THE DEVALUATION OF THE PESO WOULD PROVE BENEFICIAL. THE PRESIDENT OF THE ASSOCIATION, ALONZO ANCIRA, SAID THAT MEXICO'S STEEL PRODUCERS HAD EITHER FINISHED OR WERE FINISING A LONG PROCESS OF RESTRUCTURING AND MODERNIZATION, AND THAT THEY WERE WELL PLACED TO PENETRATE FOREIGN MARKETS. STEEL CONTRIBUTES ABOUT 4 PERCENT OF GOP. THE ASSOCIATION THINKS THAT AS A RESULT OF OUTPUT INCREASES STEMMING FROM THE DEVALUATION, THIS FIGURE COULD RISE TO 6 PERCENT OF GOP.

VIICE



04/03/97 121142 PRINTER: HG

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PAGE 01 MEXICO 0131101 OF 02 2001542 ACTION ARA-61 CIAE-DOL CED-00 INFO LOG-OU ACDA-17 ACDE-00 AID-01 CEÃ-01 E5-01 CTME-00 CASY-00 DIMT-01 000E-00 DOEE-00 DOTE-00 FR8-01 H-01 ED-01 EXI:1-01 E = 00FBIE-00 HHS-0I ITC-01 JUS E-00 LAB-01 TEDE-00 1 VR-60 IMMC-01 I 1M-02 OPIC-OL UES-09 DM3-01 NSAE-00 NSCE-00 L-01 OG-SGA PM-00 \$5-00 STR-01 USIE-00 PRS-01 52-00 \$\$0-00 /055W EMP-00 EPAE-00 PM8-JC DRL-09 ნ−00

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DEPT PASS USTR/JMELLE

DEPT PASS FEDERAL RESERVE BOARD AND EX-IM BANK

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DEPT FOR FMP

USDOC FOR 6321/ITA/UFFICE OF MEXICO/TDICK AND DKARMIN

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TREASURY FOR CASIA

DEPT PASS LARGE FOR NAC/MONDEJAR AND GRIEGO AND ILAB/PEREZ

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LOPEZ AND WHOLEY

E.O. 12356: DECL: DADR

TAGS: ECON, EFIN, ETRD, EINV, ELTN, ENRG, SOCI, MX

SUBJECT: PESO CRISIS UPDATE -- JANUARY 19, 1995

REF. MEXICO 01191 AND PREVIOUS

L. CONFIDENTIAL - ENTIRE TEXT

SUMMARY: THE MEXICAN STOCK MARKET PLUNGED ALMOST 5 PERCENT JANUARY 19, WHILE THE PESO WEAKENED TO 5.52 TO THE DOLLAR ON NERVOUSNESS ABOUT THE GUARANTEE PACKAGE BEFORE THE U.S. CONGRESS AND CONCERNS ABOUT POLITICAL UNRAVELLING IN THE STATE OF TABASCO. MEXICANS ARE IN TWO MINDS ABOUT THE GUARANTEE PACKAGE. ACKNOWLEDGING ITS FINANCIAL NECESSITY BUT CONCERNED ABOUT LOSS OF SOVEREIGNTY. PRESIDENT ZEDILLO HAS BEEN WORKING TO ASSURE FINANCIAL MANAGERS AND OTHER LEADERS OF THE VIABILITY OF HIS EMERGENCY ECONOMIC MEASURES; HOWEVER, THERE ARE INDICATIONS THAT THE TRADITIONAL UNITY OF GOVERNMENT, LABOR AND BUSINESS, WHICH ALLOWED PAST GOVERNMENTS TO FACE SUCH CRISES, IS UNDER STRAIN. THE COST OF SERVICING THE GOM'S INTERNAL DEBT LOAD MAY RISE 118 PERCENT DUE TO HIGHER INTEREST RATES. MACS HAVE GONE UP 35 PERCENT AND CEMENT 20 PERCENT.

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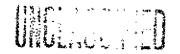
ATRLINES HAS CUT SERVICE TO 25 PERCENT OF ITS DESTINATIONS. FORMER PRESIDENT SALINAS IS INCREASINGLY VILLIFIED IN MEXICO, AND USG SUPPORT FOR HIS CAMBIDACY TO HEAD THE WTO IS BECOMING A POLITICAL TARGET. END SUMMARY. MARKET MOVEMENTS

PAGE 03 MEXICO 01311 01 OF 02 200154Z 3. THE MEXICAN STOCK MARKET DROPPED 104 POINTS (4.83 PERCENT) TO 2052-89 POINTS. THE PESO WEAKENED TO CLOSE AT 5-52 TO THE DOLLAR. THE SECONDARY MARKET INTEREST PATES WERE GENERALLY UNCHANGED. HOWEVER, WHILE YESTERDAY CETES DROPPED ABOUT 1 PERCENT IN YIELD, THE AVERAGE INTERBANK INTEREST RATE (TIIP) FOR 28-DAY CREDIT SHOT UP 7 PERCENT TO ALMOST 52 PERCENT. COMMERCIAL PAPER ISSUED BY TOP RATED CORPORATIONS REQUIRED THEM TO PAY 60 PERCENT FOR 28-DAY FUNDS, 58 PERCENT FOR 14-DAY MONEY AND 49 PERCENT FUR 7-DAY FINANCING. SECOND TIER FIRMS HAD TO COUGH UP 66 PERCENT TO BORROW FOR 7 DAYS. THE MAIN REASON FOR THE BAD NEWS WAS WIDESPREAD NERVOUSNESS OVER THE REPORTED NEWS THAT THE U.S. CONGRESS WILL NOT VOTE ON THE LOAN GUARANTEE PACKAGE FOR MEXICO UNTIL THE END OF THE MONTH. A SECONDARY REASON WAS A PERCEPTION OF GROWING POLITICAL TENSIONS IN TABASCO AND A FEAR OF GENERAL UNRAVELLING OF "GOVERNABILITY" AMBIVALENCE TOWARD THE U.S.

4. THE ATTITUDE TOWARDS THE USG GUARANTEE PACKAGE NOW BEFORE CONGRESS IS SOMEWHAT SCHIZOPHRENIC. ON THE ONE HAND, THERE IS DEEP CONCERN AND MUCH REPORTING IN THE PRESS OF GROWING CONGRESSIONAL OPPOSITION TO SUPPORTING MEXICO, AND A DEEP FEAR THAT THE PACKAGE MIGHT NOT PASS. ON THE OTHER HAND, THERE IS ALMOST AS DEEP CONCERN THAT IF THE PACKAGE IS PASSED, IT WILL CARRY CONDITIONS UNACCEPTABLE TO MEXICO. THE OLD FEAR OF U.S. INFRINGEMENTS ON MEXICAN SOVEREIGNTY IS REVIVING. THE LEGISLATIVE CONTINGENTS OF ALL MAJOR PARTIES IN THE MEXICAN CONGRESS HAVE CONDEMMED THE ATTACHMENT OF POLITICAL CONDITIONS ON THE GUARANTEE. THE PROSPECTIVE USE OF PEMEX REVENUES TO

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GUARANTEE PAYMENT, PARTICULARLY THE POSSIBLE REQUIREMENT THAT
PEMEX MONEY BE DEPOSITED DIRECTLY IN THE NEW YORK FEDERAL
RESERVE BRANCH BANK, IS DEPICTED IN THE LEFT-WING PRESS AS A
SURRENDER OF NATIONAL SOVEREIGNTY.
PRESIDENTIAL ACTIVITY

5. PRESIDENT ZEDILLO HAS BEEN MEETING WITH SMALL GROUPS (20 OR SO) OF DOMESTIC AND FOREIGN INVESTORS INCLUDING A MEETING EARLIER THIS WEEK WITH FOREIGN MONEY MANAGERS. THE AIM OF THE MEETINGS IS TO CONVINCE THEM THAT THE GOVERNMENT IS WELL IN CHARGE OF THE SITUATION AND HAS A SOUND PLAN TO MOVE FORWARD.

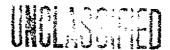


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ACCORDING TO ONE OF THE PARTICIPANTS, ZEDILLO SAID HE IS CONFIDENT THAT THE LEGISLATION NEEDED TO ENACT HIS EMERGENCY PLAN WILL BECOME LAW IN MA FEW DAYSM. BEYOND THE EMERGENCY, THE CURRENT ACCOUNT DEFICIT IS THE BIG PROBLEM, AND THE GOVERNMENT'S ACTIONS ARE AIMED AT OVERCOMING THE DIFFICULTY. FIER ONE OF THESE MEETINGS, COMMERCE SECRETARY BLANCO TOLD ONE OF THE PARTICIPANTS THAT HE EXPECTED THE U.S. GUARANTEE LEGISLATION TO PASS, BUT THAT UNTIL IT IS BROUGHT TO A VOTE, THERE WILL BE UNCERTAINITY AND HARMFUL EFFECTS ON FINANCIAL MARKETS.

6. THE ORGANIZED GROUPS OF LABOR AND BUSINESS ARE NOT SO



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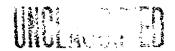
MEXICO 01311 02 0F 02 PAGE 01 200155Z ACTION ARA-OI ACDA-17 ACDE-00 AID-01 CEA-01 INFO LUG-ON CEQ-00 CIAE-00 CTME-00 DINT-01 DODE-00 D0EE-00 DDTE-00 EB-01 CO-YZAD ED-01 EXIA-Of E-00 . FBIE-00 FR8-01 HHS-01 H - 01ITC-01 IMMC-01 INM-02 TEDE-00 INR-00 JUSE-00 LAB-01 ADS-00 NSAE-00 NSCE-00 0ES-09 OM8-01 OPIC-01 L-01 US18-00 PM-00 PRS-DI SP-00 SS0-00 \$\$-00 STR-01 G-00 EPAE-00 PMB-00 DRL-09 /055W EMP-00 ----9D6C4A 200156Z /38

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AMEMBASSY BUENOS AIRES
AMEMBASSY BRASILIA

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DEPT PASS USTR/JMELLE
DEPT PASS FEDERAL RESERVE BOARD AND EX-IM BANK
DEPT PASS TO FOREIGN EXCHANGE AT FEDERAL RESERVE BANK OF NEW YORK
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USDOC FOR 4321/ITA/IEP/WH/OMCB/MD/RVARGO
TREASURY FOR DASIA
DEPT PASS LABOR FOR NAD/MONDEJAR AND GRIEGO AND ILAB/PEREZ

PAGE 02 MEXICO 01311 02 0F 02 200155Z LOPEZ AND WHOLEY E.O. 12356: DECL: DADR ECON, EFIN, ETRD, EINV, ELTN, ENRG, SOCI, MX PESO CRISIS UPDATE -- JANUARY 19, 1995 SANGUINE AS THE GOVERNMENT, HOWEVER, AND THERE ARE REGULAR DAILY INDICATIONS THAT THE TRADITIONAL UNITY WITH WHICH MEXICO WOULD FACE PAST CRISES IS SHOWING SIGNS OF STRAIN. EVEN THOUGH THE ECONOMIC CONDITION OF THE COUNTRY IS FAR STRONGER THAN IN 1982. FOR EXAMPLE, THE POLITICAL DIVISION AND LACK OF CONFIDENCE IN TRADITIONAL INSTITUTIONS IS GREATER. 7. THE ASSOCIATION OF MEXICAN EMPLOYERS (COPARMEX) DISMISSED A SPEECH BY TREASURY UNDERSECRETARY PEDRO NOYOLA IN WHICH HE EXTOLLED ONE OF THE ELEMENTS OF THE ZEDILLO EMERGENCY PLAN --THE ADVISORY TAX COMMISSION (CAFI) SET UP OSTENSIBLY TO SIMPLIFY AND RATIONALIZE TAX ADMINISTRATION. COPARMEX SAID THAT ITS VIEW OF THE COMMISSION'S PURPOSE WAS TO BUILD INCENTIVES INTO THE TAX CODE AND MAKE LIFE EASIER FOR THE NATION'S PRIVATE SECTOR. IT SAID THAT IN REALITY, HOWEVER, THE PROMISES OF NOYOLA WERE DEVOID OF ANY SUBSTANCE. THAT THE CAFI WAS A MESS. AND THAT THE TREASURY WAS NOT DISEMMINATING ANY



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INFORMATION, EVEN WHEN PRESSED TO DO SO BY COPARMEX PHONE CALLS. DEBT LOAD

8. THE ORIGINAL BUDGET PROJECTIONS OF FORMER TREASURY SECRETARY JAIME SERRA ANTICIPATED ABOUT 18 BILLION PESOS THIS YEAR FOR INTEREST PAYMENTS ON INTERNAL GOVERNMENT DEBT. THE

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MOST RECENT CALCULATIONS ESTIMATE A 113 PERCENT INCREASE IN
SUCH PAYMENTS TO OVER 40 BILLION PESOS. MOST OF THE RISE IS
DUE TO SHARPLY HIGHER INTEREST RATES.
PRICE RISES

THE PRICE OF BAG MACS IN MEXICAN MCDONALO'S ESTABLISHMENTS HAS RISEN 35 PERCENT, REFLECTING, ACCORDING TO COMPANY SOURCES. ONLY THE INCREASED COSTS OF ITS IMPORTED IMPUTS. BURGER KING DOUBLE WHOPPERS. ON WHICH THE AUTHOR OF THESE TELEGRAMS HAS NOURISHED HIMSELF THROUGHOUT THE CRISIS, HAVE GONE FROM 12 PESOS TO 14 PESOS EACH. A. 16 PERCENT JUMP. SECOFI AUTHORIZED THE PRICE OF CEMENT TO RISE 20 PERCENT TO REFLECT INCREASED COSTS. THAT SAID, GIVEN THE INCREASINGLY APPARENT SIZE OF MEXICO'S IMMINENT RECESSION, WITH A SHARP DOWNTURN IN INVESTMENT AND CONSTRUCTION, IT IS NOT CLEAR THAT THE CEMENT INDUSTRY WILL PROSPER EVEN TOWARD THE END OF 1995. WHETHER IT DOES WELL OR NOT DEPENDS ON EXPORTS. 11. SARO AIRLINES, MEXICO'S FOURTH LARGEST AIRLINE, HAS CANCELLED ABOUT 25 PERCENT OF ITS FLIGHT DESTINATIONS AS A CONSEQUENCE OF LOWER DEMAND AND HIGHER COSTS FOLLOWING ON THE CRISIS. THE DESTINATIONS FROM MEXICO CITY THAT HAVE BEEN CANCELLED INCLIDE ACAPULCO, VERACRUZ, ZIHUATANEJO, MINATITLAN, AND TORREON. ALL AIRLINES ARE EXPERIENCING SHARP DROPS IN CONSUMER DEMAND. SALINAS UNDER FIRE

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12. ANTIPATHY TO FORMER PRESIDENT SALINAS, AND ANGER AND RESENTMENT AT HIS CONTINUED CANDIDACY FOR THE WTO, CONTINUES TO RISE. THE PAN POLITICAL PARTY SENT AN OFFICIAL DELEGATION TO THE EMBASSY TODAY TO PROTEST CONTINUED USG SUPPORT OF HIS CANDIDACY. THE NEWS THE SALINAS HAS JOINED THE BOARD OF DOW JONES WAS SARCASTICALLY CARICATURED IN THE PRESS. SALINAS HIMSELF, TO DEFEND AGAINST FORMAL CHARGES BROUGHT AGAINST HIM BY THE PRD, HAS RETAINED A PROMINENT LOCAL ATTORNEY. BEALL



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PLEASE PASS TO BUMINES, MICHAEL HEYDARI, INTERNATIONAL MINERALS

E.O. 12356: N/A

TAGS: ENRG, ETRD, EIND, KTDB, EPET, BUMIN, PGOV, MX

SUBJECT: RESTRUCTURING OF THE ENERGY SECRETARIAT; MINING

POLICYMAKING GOES TO SECOFI; POLICY UNCERTAINTIES

REMAIN

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- 1. SUMMARY. ON DECEMBER 28, 1994, THE MEXICAN GOVERNMENT DISMANTLED THE OLD SECRETARIAT OF ENERGY, MINES AND STATE-OWNED INDUSTRY (SEMIP) AND CREATED A MUCH SLIMMED-DOWN ENERGY SECRETARIAT. ENERGY POLICYMAKING RESPONSIBILITY REMAINS IN THE NEW ENERGY SECRETARIAT BUT MINING POLICYMAKING RESPONSIBILITIES WERE SHIFTED TO THE SECRETARIAT FOR COMMERCE AND INDUSTRIAL DEVELOPMENT (SECOFI). EVEN WITH ITS NEW NARROWER FOCUS, IT WILL BE VERY DIFFICULT FOR THE NEWLY CREATED ENERGY SECRETARIAT TO FORMULATE AND IMPLEMENT ENERGY POLICY, AS IT FACES POWERFUL COMPETITION FROM PETROLEOS MEXICANS (PEMEX) AND THE FEDERAL ELECTRICITY COMMISSION (CFE), THE DIRECTORS OF WHICH MAINTAIN INDEPENDENT ACCESS TO THE PRESIDENT.
- 2. THE MINING SECTOR IS NOW LARGELY IN PRIVATE HANDS. MINERALS PRICES ARE RISING ON INTERNATIONAL MARKETS AND THIS SECTOR SHOULD BENEFIT FROM THE RECENT PESO DEVALUATION AND SHOULD CONTRIBUTE TO INCREASED GROWTH, EXPORTS AND JOBS IF IT CAN ATTRACT ABOUT USD 6 BILLION IN NEW INVESTMENTS OVER THE NEXT FEW YEARS. END SUMMARY.

ENERGY

- 3. ARTICLE 33 OF THE EXECUTIVE DECREE CREATING THE NEW ENERGY SECRETARIAT DEFINES ITS FUNCTIONS AS FOLLOWS:
 - (1) CONDUCT MEXICO'S ENERGY POLICY. (COMMENT: EASIER SAID THAN DONE. TRADITIONALLY, PEMEX'S DIRECTOR GENERAL HAS HAD DIRECT ACCESS TO THE MEXICAN PRESIDENCY AND THE STRONGEST ROLE IN ENERGY POLICYMAKING. END COMMENT). UNCLASSIFIED

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(2) EXERCISE THE NATION'S RIGHTS OVER HYDROCARBONS, NUCLEAR ENERGY, AS WELL AS TO TAKE ADVANTAGE OF ALL ASSETS AND NATURAL RESOURCES REQUIRED TO GENERATE, TRANSMIT, TRANSFORM, DISTRIBUTE AND SUPPLY ELECTRICITY, WITH THE OBJECTIVE OF PROVIDING A PUBLIC SERVICE. (COMMENT: IN DECEMBER 1992 THE ELECTRICITY LAW WAS CHANGED TO ALLOW THE GENERATION OF ELECTRICITY FOR PROFIT. THE NEW DEFINITION

OF PUBLIC SERVICE IN THE ELECTRICITY LAW, EXCLUDED THE "GENERATION" OF ELECTRICITY. THE WORDING IN THIS DECREE STILL INCLUDES GENERATION OF ELECTRICITY AS PUBLIC SEVICE. END COMMENT).

- (3) CONDUCT THE ACTIVITIES OF THE STATE-OWNED ENTERPRISES ENGAGED IN THE EXPLOITATION OF HYDROCARBONS, THE GENERATION OF ELECTRICITY AND OF NUCLEAR ENERGY, WITH DUE RESPECT FOR THE ECOLOGICAL LAWS. (COMMENT: TO PROTECT THE ENVIRONMENT MEXICO WILL NOT BUILD MORE NUCLEAR POWER PLANTS EXCEPT FOR ONE UNIT IN PROCESS. FOR ECOLOGICAL AND OTHER REASONS, MEXICO ALSO ENCOURAGES THE USE OF NATURAL GAS AND DISCOURAGES THE USE OF HIGH SULFUR RESIDUAL FUEL IN THE GENERATION OF ELECTRICITY. END COMMENT).
- (4) PARTICIPATE IN INTERNATIONAL FORA IN AREA OF COMPETENCE AND PROPOSE TO THE SECRETARIAT OF FOREIGN AFFAIRS (SRE) INTERNATIONAL AGREEMENTS AND TREATIES. (COMMENT: IN THE LAST DAYS OF THE SALINAS ADMINISTRATION, SEMIP, (NOW THE ENERGY SECRETARIAT), WAS CONSIDERING THREE TECHNICAL ASSISTANCE AGREEMENTS WITH THE USG: ONE FROM DOE, ANOTHER FROM THE US BUREAU OF MINES AND THE THIRD FROM THE US GEOLOGICAL SURVEY. ONLY THE LATTER WAS UNCLASSIFIED

- PAGE 04 MEXICO 01897 01 OF 02 271838Z SIGNED. EMBASSY WILL FOLLOW UP ON THE BUMINES PROPOSAL WITH SECOFI AND ON THE DOE PROPOSAL WITH THE NEW ENERGY SECRETARIAT. END COMMENT).
 - (5) PROMOTE THE PARTICIPATION OF THE PRIVATE SECTOR IN THE GENERATION AND EFFICIENT USE OF ENERGY, WITH DUE REGARD TO ECOLOGICAL LAWS.
 - (6) CARRY OUT MEDIUM AND LONG TERM ENERGY PLANNING.
 DEFINE THE ECONOMIC AND SOCIAL ROLE FOR THE STATE-OWNED
 ENERGY SECTOR. (COMMENT: THE TEN YEAR PLAN, PREPARED
 ONCE A YEAR BY CFE AND RELEASED BY SEMIP (NOW THE ENERGY
 SECRETARIAT) OUTLINES THE CONDITIONS UNDER WHICH THE
 PRIVATE SECTOR AND CFE CAN PARTICIPATE IN THE GENERATION
 OF ELECTRICITY. END COMMENT).

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- (7) GRANT ENERGY CONCESSIONS, AUTHORIZATIONS AND PERMITS.
- (8) CONDUCT AND PROMOTE STUDIES AND RESEARCH ON ENERGY CONSERVATION AND EFFICIENCY, INFRASTRUCTURE, COSTS, PROJECTS, MARKETING, PRICES AND TARIFFS. ALSO STUDY ASSETS, PROCEDURES, RULES AND OTHER ISSUES RELATED TO THE ENERGY SECTOR. PROPOSE APPROPRIATE ACTION.
- (9) REGULATE AND ISSUE OFFICIAL NORMS ON PRODUCTION,

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INFO	LOG-00	ACDA-17	ACDE-00	AID-01	ARA-01	CEA-01	CEQ-01
	CIAE-00	CTME-00	OASY-00	DINT-01	DODE-00	DOEE-00	ITCE-00
	EXME-00	E-00	FBIE-00	FRB-01	H-01	INM-02	TEDE-00
	INR-00	ITC-01	JUSE-00	LAB-01	L-01	ADS-00	M-00

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P-01 SP-00 SSO-00 SS-00 STR-01 USIE-00 EPAE-00 PMB-00 DRL-09 G-00 T-00 -----A0368D 272317Z /38

R 271840Z JAN 95 FM AMEMBASSY MEXICO TO SECSTATE WASHDC 9977 INFO CIMS NTDB WASHDC USDOC WASHDC ALL USCONS MEXICO

PRS-01

NSAE-00 NSCE-00 OES-09 OMB-01 OPIC-01 PA-02

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UNCLAS SECTION 02 OF 02 MEXICO 001897 --

USDOC FOR 4321/ITA/IEP/WH/OMCB/MD/RVARGO DOE FOR BRODMAN/PUMPHREY/SANTIAGO, INT'L AFFAIRS, ROOM 7G076 STATE PLEASE PASS USTR PLEASE PASS TO BUMINES, MICHAEL HEYDARI, INTERNATIONAL MINERALS

E.O. 12356: N/A

TAGS: ENRG, ETRD, EIND, KTDB, EPET, BUMIN, PGOV, MX

SUBJECT: RESTRUCTURING OF THE ENERGY SECRETARIAT; MINING

POLICYMAKING GOES TO SECOFI; POLICY UNCERTAINTIES

REMAIN

UNCLASSIFIED

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COMMERCIALIZATION, PURCHASES AND SALES, QUALITY, ENERGY SUPPLIES AND OTHER ASPECTS THAT PROMOTE MODERNIZATION. EFFICIENCY AND SECTOR DEVELOPMENT. CONTROL AND SUPERVISE COMPLIANCE.

- (10) REGULATE AND ISSUE OFFICIALS NORMS WITH RESPECT TO RADIOACTIVE MATERIALS AND NUCLEAR POWER.
- (11) CONDUCT THE PETROLEUM CADASTRE AND...COMMENT. IN THE OFFICIAL GAZETTE VERSION, ITEM ELEVEN IS INCOMPLETE; THERE IS NOTHING AFTER "AND". IT IS DOUBTFUL THAT THE ENERGY SECRETARIAT HAS THE NECESSARY EXPERTISE AND MANPOWER TO CARRY OUT THIS RESPONSIBILITY. END COMMENT).
- (12) CONDUCT OTHER TASKS REQUIRED BY LAWS AND REGULATIONS.

MINING -----

4. ARTICLE 34 OF THE EXECUTIVE DECREE DESCRIBES THE RESPONSIBILITIES OF THE SECRETARIAT FOR COMMERCE AND INDUSTRIAL DEVELOPMENT (SECOFI). THE ARTICLE CONSISTS OF 30 ITEMS. ITEMS 27-29 (BELOW) DEFINE SECOFI'S RESPONSIBILITIES WITH REGARD TO THE MINING SECTOR:

(27) FORMULATE AND CONDUCT NATIONAL POLICY FOR THE MINING SECTOR. (COMMENT: WHEN MINING WAS PART OF SEMIP, MINING POLICY WAS FORMULATED BY AN UNDER SECRETARY FOR MINING. SHORTLY AFTER DECEMBER 1, 1994, MAURICIO TOUSSAINT, WHO WAS UNTIL THEN DIRECTOR GENERAL FOR HYDROCARBONS POLICY AT UNCLASSIFIED

UNCLASSIFIED

- PAGE 03 MEXICO 01897 02 OF 02 271839Z SEMIP, ASSUMED THE MINING PORTFOLIO AT SEMIP. WITH THE MOVE OF MINING FROM SEMIP TO SECOFI, THE TOP POLICYMAKING JOB FOR MINING IS STILL UNCONFIRMED. END COMMENT).
 - (28) FOSTER UTILIZATION OF MINERAL RESOURCES: CARRY OUT THE MINING CADASTRE; AND REGULATE THE EXPLOITATION OF SALT MINES LOCATED IN STATE - OWNED LAND AND IN SALT FORMATIONS IN TERRITORIAL WATERS. (COMMENT: MEXICO'S MINING INDUSTRY IS MOSTLY IN PRIVATE HANDS. SEMIP OWNS ONLY ONE SALT MINE WHICH WILL PROBABLY BE PRI

VATIZED. THE MINING

CADASTRE WAS COMPLETED DURING THE LAST TWO YEARS AND HAS PROVEN A VERY USEFUL TOOL IN ELIMINATING CONFLICTING CLAIMS. RESOURCE WATCHERS ARE FORECASTING A USD 6 BILLION INVESTMENT IN THE MINING SECTOR WITHIN THE NEXT 6 YEARS. THE RECENT PESO DEVALUATION FAVORED THE SECTOR AS ITS LOCAL COSTS ARE DENOMINATED IN PESOS BUT MOST OF ITS REVENUES ARE IN DOLLARS OR OTHER HARD CURRENCIES. END COMMENT).

(29) GRANT MINING CONTRACTS, CONCESSIONS, ASSIGNMENTS, PERMITS AND AUTHORIZATIONS ACCORDING TO THE LAW.

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R 011930Z FEB 95
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 0152
INFO TREASURY WASHDC
NAFTA COLLECTIVE

SECTION 01 OF 03 MEXICO 002247

FOR ARA/MEX, ARA/PPCP-ANDERSON, DRL/IL
TREASURY FOR ROBIN RITTERHOFF, DEREK HILL, JOHN SIMPSON
PASS LABOR FOR ILAB DUS OTERO, WHOLEY AND USNAO SEC. GARZA
OTTAWA FOR LABOR COUNSELOR LA MAZZA

E.O. 12356: DECL: OADR TAGS: ELAB, ECON, MX

SUBJECT: MEXICAN LABOR: DON FIDEL WELCOMES CLINTON ANNOUNCEMENT, WARNED BUSINESS; JIMENEZ ON EMERGENCY AND ZEDILLO; THOUGHT LOAN GUARANTEE ISSUE WAS HURTING GOOD FEELING FOR U.S. AND HELPING FAR LEFT



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DOC_NUMBER: 95MEXICO02247 CHANNEL: n/a

REF: A) MEXICO 2026, B) MEXICO 1600

1. SUMMARY

- (U) MEXICAN LABOR PATRIARCH FIDEL VELAZOUEZ WELCOMED PRESIDENT CLINTON'S ANNOUNCEMENT JANUARY 31, AND SAID THE PACKAGE WILL AVOID LOSING MORE JOBS. EARLIER, JANUARY 26 HE EMPHASIZED HIS STRONG SUPPORT FOR PRESIDENT ZEDILLO IN FACING THE CRISIS AND TRIED TO REASSURE WORKERS BY EXPRESSING CONFIDENCE THE U.S. LOAN GUARANTEE WOULD BE IN PLACE BY MARCH, BUT, ON JANUARY 30, WARNED IT WAS NEEDED IMMEDIATELY TO STEM WAGE AND JOB LOSEES. HE ALSO WARNED MEXICAN BUSINESS LEADERS AGAINST INTOLERABLE CONTINUED PRICE INCREASES AND DEMANDS FOR WAGE CUTS OR FOR A MORATORIUM ON CONTRIBUTIONS FOR SOCIAL SECURITY (HEALTH CARE) AND WORKER HOUSING (INFONAVIT). UNLESS THIS STOPPED, HE THREEATENED JANUARY 26, WORKERS WOULD TAKE TO THE STREETS, LED BY THE CTM.
- (C) FEDERAL EMPLOYEE FEDERATION SECGEN AND PRI SENATOR CARLOS JIMENEZ TOLD LABCOUNS JANUARY 27 THAT LACK OF PRIOR PRESIDENTIAL CONVINCING OF TOP LABOR AND BUSINESS LEADERS ADE THE JANUARY 2-3 UNITY AGREEMENT NEGOTIATION MUCH MORE CONFLICTIVE, BUT ALSO MORE GENUINE, AND ZEDILLO'S STYLE MAKES LABOR MORE INDEPENDENT AND MEXICO MORE DEMOCRATIC. JIMENEZ WORRIED ABOUT THE NEGATIVE EFFECT OF THE GUARANTEE PACKAGE DEBATE IN BOTH COUNTRIES, PARTICULARLY HOW IT WAS SOURING THE ATTITUDES OF MANY PROMINENT PRI POLITICIANS TOWARD THE U.S., THREATENING TO UNDO YEARS OF EXCELLENT RELATIONS AND GOOD FEELING, AND GIVING RENEWED CURRENCY TO THE OUTMODED RHETORIC OF THE FAR LEFT. END SUMMARY.

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PAGE 03 MEXICO 02247 01 OF 03 011936Z 2. FIDEL BACKS ZEDILLO, APPEALS TO U.S., WELCOMES PACKAGE ______

(U) ON JANUARY 31, MEXICAN WORKERS CONFEDERATION (CTM) SECRETARY GENERAL FIDEL VELAZQUEZ WELCOMED THE NEW CLINTON . PACKAGE AS OPPORTUNE, AS IT WOULD AVOID ELIMINATING MORE JOBS. EARLIER, ON JANUARY 26, AFTER THE MEETING OF THE FOLLOW UP COMMITTEE FOR THE JANUARY 3 EMERGENCY AGREEMENT AND THE PREVIOUS TRIPARTITE NATIONAL PACTS, DON FIDEL HAD

TRIED TO REASSURE WORKERS BY EXPRESSING CONFIDENCE THE U.S. LOAN GUARANTEE WOULD BE APPROVED BY MARCH, SO MEXICAN WORKERS' WAGES WOULD NOT LOSE MORE TO DEVALUATION, BUT AT HIS REGULAR MONDAY PRESS CONFERENCE JANUARY 30, DON FIDEL SAID THE GUARANTEE WAS NEEDED IMMEDIATELY TO STEM WORKER WAGE LOSSES. ON BOTH OCCASIONS, HE EXPRESSED STRONG SUPPORT FOR PRESIDENT ZEDILLO IN FACING THE CRISIS.

3. DON FIDEL WARNS BUSINESS TO OBSERVE PACT OR FACE UNREST ______

(U) ON JANUARY 26, DON FIDEL EXCORIATED MEXICAN BUSINESS LEADERS FOR VIOLATING THE EMERGENCY AGREEMENT BY RAISING PRICES WHERE INCREASES WERE NOT JUSTIFIED BY INCREASED IMPORT PRICES, AND WARNED THEM TO STOP DEMANDING WAGE CUTS OR THREATENING TO CUT OFF SOCIAL SECURITY (IMMS, MAINLY FREE HEALTH CARE) AND WORKER HOUSING (INFONAVIT) CONTRIBUTIONS, OR LAY OFF WORKERS OR SHUT DOWN PLANTS. HE ADMITTED LABOR LEADERS WERE "ON THE KNIFE'S EDGE" BECAUSE THE CRISIS HAD HURT WORKERS, BUT THE LEADERS "WOULD NOT GET CUT. " INSTEAD, IF BUSINESS KEPT VIOLATING ITS EMERGENCY AGREEMENT COMMITMENTS, WORKERS WOULD TAKE TO THE STREETS, AND THE CTM WOULD LEAD, NOT OPPOSE THEM, THOUGH HE HIMSELF WOULD NOT (UNSAID, BE ABLE TO). OTHER UNION

MEXICO 02247 01 OF 03 011936Z LEADERS (E.G., PHONE UNION LEADER FRANCISCO HERNANDEZ JUAREZ AND FEDERAL EMPLOYEE FEDERATION SECGEN, LABOR CONGRESS VP AND PRI FEDERAL SENATOR FOR SAN LUIS POTOSI CARLOS JIMENEZ MACIAS ON BEHALF OF THE LABOR CONGRESS) AID WORKER VIGILANCE COMMITTEESS WILL VISIT STORES TO CHECK PRICES AND REPORT VIOLATIONS TO THE CONSUMER PROSECUTOR (LIKE THE EFFORTS MENTIONED IN REF A). ON JANUARY 30, DON FIDEL HE ANNOUNCED AGREEMENT WITH THE NATIONAL INDUSTRY CHAMBER (CANACINTRA) TO AVOID LAYOFFS, STRIKES AND JOB LOSSES.

JANUARY 2-3 NEGOTIATIONS WERE TOUGHER TNAN REPORTED ______

(C) JIMENEZ TOLD LABCOUNS JANUARY 27 THAT GOVERNMENT-LABOR-EMPLOYER RELATIONS WILL NEVER BE THE SAME AFTER THE MARATHON JANUARY 2-3 NEGOTIATING SESSION (REF B).

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R 011930Z FEB 95
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 0153
INFO TREASURY WASHDC
NAFTA COLLECTIVE

SECTION 02 OF 03 MEXICO 002247

CHANNEL: n/a

FOR ARA/MEX, ARA/PPCP-ANDERSON, DRL/IL
TREASURY FOR ROBIN RITTERHOFF, DEREK HILL, JOHN SIMPSON
PASS LABOR FOR ILAB DUS OTERO, WHOLEY AND USNAO SEC. GARZA
OTTAWA FOR LABOR COUNSELOR LA MAZZA

E.O. 12356: DECL: OADR TAGS: ELAB, ECON, MX

SUBJECT: MEXICAN LABOR: DON FIDEL WELCOMES CLINTON ANNOUNCEMENT, WARNED BUSINESS; JIMENEZ ON EMERGENCY AND ZEDILLO; THOUGHT LOAN GUARANTEE ISSUE WAS HURTING GOOD FEELING FOR U.S. AND HELPING FAR LEFT



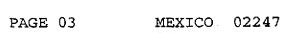
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5. ZEDILLO STRONG, NOT WEAK; MOVING TO DEMOCRACY



(C) JIMENEZ SAID IT IS NOT WEAKNESS BUT STRENGTH PRESIDENT ZEDILLO IS DISPLAYING, A NEW STYLE, MORE DEMOCRATIC, LESS AUTHORITARIAN, PERHAPS PARTLY OUT OF NECESSITY BUT AN IMPORTANT STEP FORWARD FOR THE COUNTRY, E.G., THE NEGOTIATIONS WITH THE PRD AND EZLN. EVEN THE REJECTION OF THE ORIGINAL EMERGENCY PLAN AND LONG NEGOTIATIONS BETWEEN

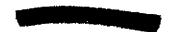


02 OF 03 011936Z IRRITATED LABOR AND EMPLOYER LEADERS AND ZEDILLO'S CABINET MINISTERS JANUARY 2-3 MAY HAVE CONTRIBUTED SIGNIFICANTLY TO TRANSFORMING THE COUNTRY. INEXPERIENCE MAY HAVE LED THE PRESIDENT NOT TO CONVINCE THE TOP LABOR AND EMPLOYER LEADERS IN ADVANCE, BUT SUCH NEGOTIATIONS WILL NEVER BE THE SAME. THE NEW INDEPENDENT ATTITUDE OF LABOR AND EMPLOYERS VIS-A-VIS THE PRESIDENCY MAY BE FOR THE BEST. IT MAKES LABOR MORE INDEPENDENT AND MEXICO MORE DEMOCRATIC.

- 6. SALINAS MADE IT POSSIBLE--GOAT NOW, BUT THIS WILL PASS
- (C) OF COURSE, JIMENEZ ADDED, NONE OF THIS WOULD HAVE BEEN POSSIBLE WITHOUT THE IMMENSE TRANSFORMATION OF THE COUNTRY FOR THE BETTER BY FORMER PRESIDENT SALINAS. EVERYONE IS SO MAD NOW AT WHAT HAPPENED TO THEM THAT ALL THEY CAN REMEMBER ABOUT THE SALINAS ADMINISTRATION IS BAD, BUT THAT WILL PASS.
- 7. LOAN GUARANTEE CONTROVERSY HURTING GOOD WILL FOR U.S.
- (C) JIMENEZ WORRIED ABOUT THE EXASPERATION AND CONFUSION, ESPECIALLY IN THE PRI, OVER THE DEVALUATION, U.S.-MEXICO NEGOTIATION AND U.S. CONGRESSIONAL CONSIDERATION OF THE GUARANTEE PACKAGE. HE WAS HEARING ANTI-AMERICAN ATTITUDES EXPRESSED IN THE PRI NOT HEARD SINCE THE ERA OF CARDENAS - AND LONG SINCE OVERCOME BY EXCELLENT U.S.-MEXICAN AND U.S.-PRI RELATIONS. HE FEARED THE FAR LEFT WAS SUCCEEDING IN IMPOSING ITS OUTMODED RHETORIC IN THE PRI AS WELL.
 - 8. JIMENEZ WILL MOVE TO PRI, HEAD ITS POPULAR SECTOR



DOC_NUMBER: 95MEXICO02247 CHANNEL: n/a



MEXICO 02247 02 OF 03 011936Z PAGE 04 (C) LABCOUNS ASKED JIMENEZ WHETHER IT IS TRUE THAT HE WILL HEAD THE PRI'S POPULAR SECTOR (FNOC, FORMERLY CNOP), AFTER HE FINISHES HIS FSTSE TERM LATE IN MARCH, A QUESTION HE HAD EVADED WHEN ASKED BY THE PRESS JANUARY 26. (IMPORTANT -TRADE UNION SECTORS--FSTSE, INCLUDING SNTE, STATE AND MUNICIPAL EMPLOYEES AND IMSS AND BANK WORKERS--ARE IN THE FNOC, RATHER THAN THE PRI WORKER SECTOR.) JIMENEZ CONFIRMED THIS, PRIVATELY, BUT COULD NOT ACKNOWLEDGE IT ET PUBLICLY. JIMENEZ, A POOR BOY WHO ROSE THROUGH THE PRI, EMPHASIZED HIS STRONG CONVICTION THAT IT IS THE PRI'S GRASS ROOTS STRENGTH AND ORGANIZATION THAT MAKES MEXICO STRONG, HAS KEPT IT FROM SUFFERING THROUGH THE DICTATORSHIPS AND INSURGENCIES OF OTHER LATIN COUNTRIES, AND WILL PULL IT THROUGH THIS CRISIS.

9. GORDILLO UNLIKELY TO SUCCEED JIMENEZ AS FSTSE SECGEN



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L-01 ADS-00 NSAE-00 NSCE-00 OMB-01 OPIC-01 SEC-01 SP-00 SSO-00 SS-00 STR-01 USIE-00 DRL-09 G-00

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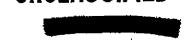
FOR ARA/MEX, ARA/PPCP-ANDERSON, DRL/IL TREASURY FOR ROBIN RITTERHOFF, DEREK HILL, JOHN SIMPSON PASS LABOR FOR ILAB DUS OTERO, WHOLEY AND USNAO SEC. GARZA OTTAWA FOR LABOR COUNSELOR LA MAZZA

E.O. 12356: DECL: OADR TAGS: ELAB, ECON, MX

SUBJECT: MEXICAN LABOR: DON FIDEL WELCOMES CLINTON ANNOUNCEMENT, WARNED BUSINESS; JIMENEZ ON EMERGENCY AND ZEDILLO; THOUGHT LOAN GUARANTEE ISSUE WAS HURTING GOOD

FEELING FOR U.S. AND HELPING FAR LEFT





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Document Number: 1995MEXICO10043

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ACTION ARA-01

INFO LOG-00 ACDA-17 ACDE-00 AID-00 SMEC-00 INL-02 OASY-00 DOEE-00 EAP-01 EB-01 EUR-01 OIGO-01 TEDE-00 H-01 IO-10 ADS-00 INR-00 L-01 MCO-01 MMP-00 M - 00OIC-02 OIG-04 OMB-01 PA-01 PM-00 PRS-01 P-01 SP-00 SSO-00 SS-00 TRSE-00 T-00 USIE-00 DTC-01 FMP-00 SNIS-00 NISC-01 SSD-01 PMB-00 DRL-09 G-00

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 3994

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

NSC WASHDC

DIA WASHDC

SECNAV WASHDC

DEAHOS WASHDC

DIRNSA FT GEORGE G MEADE MD

CIA WASHDC

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CONFIDENTIAL

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CMC WASHDC//CMC//

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AMEMBASSY PARIS

WHITEHOUSE WASHDC

AMEMBASSY BOGOTA

AMEMBASSY LONDON

DOD WASHDC

Current Class: CONFIDENTIAL

UNITED STATES DEPARTMENT OF STATE REVIEW AUTHORITY: WILLIAM E LANDFAIR

DATE/CASE ID: 28 JUL 2003 200201469

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AMEMBASSY MADRID
USUN NEW YORK
AMEMBASSY OTTAWA
USMISSION USNATO
COGARD INTELCOORDCEN WASHDC
DOJ WASHDC
SECDEF WASHDC
AMEMBASSY TOKYO
ONI SUITLAND MD//JJJ//
AMEMBASSY SANTIAGO
OSAF WASHDC//IAL//
AMEMBASSY MOSCOW
AMEMBASSY CARACAS

C O N F I D E N T I A L SECTION 01 OF 17 MEXICO 010043

DEPARTMENT PASS USOAS

E.O. 12356: DECL:OADR

TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL,
PINR, PARM, PBTS, SNAR, PINS, PHUM, SOCI, MX
SUBJECT: THE MEXICAN ARMY -- STILL PASSIVE,
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MEXICO 10043 01 OF 17 110112Z ISOLATED, AND ABOVE THE FRAY?

- CONFIDENTIAL ENTIRE TEXT.
- 2. THIS REPORT PARTIALLY FULFILLS POST REPORTING PLAN FOR 1995.
- 3. SUMMARY. IN THE FACE OF A TURBULENT MEXICAN POLITICAL AND ECONOMIC SITUATION, THE MEXICAN MILITARY REMAINS BY AND LARGE ISOLATED FROM THE CURRENTS OF CRISIS EDDYING AROUND THE GOVERNMENT, (ALTHOUGH THE CRISIS HAS AFFECTED BOTH MILITARY BUDGETS AND THE FINANCIAL LIVES OF MILITARY OFFICERS MARKEDLY.) WHILE FAR MORE AWARE THAN IN THE PAST OF THE NEED TO STRENGTHEN ITS PUBLIC IMAGE (PARTICULARLY WITH ALL PARTS OF THE MEXICAN GOVERNMENT COMPETING FOR SCARCE FINANCIAL RESOURCES), THE MEXICAN MILITARY REMAINS A WORLD LARGELY SEPARATE FROM THE REST OF MEXICO.
- 4. THE MILITARY HAS BEEN SOMEWHAT AFFECTED, HOWEVER, BY THE SITUATION IN CHIAPAS, WHERE IT WAS

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ACCUSED OF "ILLEGAL INTERVENTION" IN THE EARLY STAGES OF THE CONFLICT, AND LATER CHARGED WITH HUMAN RIGHTS ABUSES. IT HAS SINCE BECOME SOMEWHAT MORE SENSITIVE TO HUMAN RIGHTS ISSUES.

5. WE ARE HIGHLY DUBIOUS OF U.S. AND MEXICAN PRESS STORIES THAT OCCASIONALLY APPEAR SUGGESTING THE POSSIBILITY OF SOME FORM OF ARMY INTERVENTION IN THE MEXICAN GOVERNMENT IF ECONOMIC OR POLITICAL CONFIDENTIAL

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CONDITIONS SHOULD GREATLY DETERIORATE. WE ARE
DUBIOUS OF THESE ACCOUNTS (WHICH ALSO SOMETIMES
EMANATE FROM MEXICAN AND WALL STREET INVESTORS AND
OTHERS SPEAKING PUBLICLY) NOT ONLY BECAUSE THEY
CONTRADICT WHAT SEEMS TO US TO BE THE ARMY'S
CONTINUING COMMITMENT TO NON-INTERVENTION IN
NATIONAL POLITICS, BUT ALSO BECAUSE IT IS
DIFFICULT TO IMAGINE JOURNALISTS OF ANY KIND,
MEXICAN OR FOREIGN, GETTING CLOSE TO AN
AUTHORITATIVE SOURCE (OR EVEN A RELIABLE LEAK) IN
AN INSTITUTION SO HERMETICALLY SEALED AND
PARANOIACALLY ANTI-PRESS AS THE MEXICAN ARMY.

6. THE THREE MAIN INSTRUMENTS THAT WE SEE IN THE SHORT TERM THAT COULD HELP BUILD CIVILIAN/MILITARY RELATIONS WITHIN THE GOM AND OPEN THE DOOR TO MORE U.S./MEXICO MILITARY-TO-MILITARY CONTACTS ARE: (1) A MORE FLEXIBLE POLICY ON MILITARY SALES TO MEXICO IN THE WAKE OF REDUCED TENSIONS IN CHIAPAS AND

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 3995

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

NSC WASHDC

DIA WASHDC

SECNAV WASHDC

DEAHQS WASHDC

DIRNSA FT GEORGE G MEADE MD

CIA WASHDC

CONFIDENTIAL

CONFIDENTIAL

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CMC WASHDC//CMC//

CINCFORSCOM FT MCPHERSON GA//FCJ2//

JCS WASHDC//J2//

ALL USCONS MEXICO

AMEMBASSY PARIS

WHITEHOUSE WASHDC

AMEMBASSY BOGOTA

AMEMBASSY LONDON

DOD WASHDC

AMEMBASSY MADRID

USUN NEW YORK

AMEMBASSY OTTAWA

USMISSION USNATO

COGARD INTELCOORDCEN WASHDC

DOJ WASHDC

SECDEF WASHDC

AMEMBASSY TOKYO

ONI SUITLAND MD//JJJ//

AMEMBASSY SANTIAGO

OSAF WASHDC//IAL//

AMEMBASSY MOSCOW

AMEMBASSY CARACAS

Current Class: CONFIDENTIAL

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Current Handling: n/a

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C O N F I D E N T I A L SECTION 02 OF 17 MEXICO 010043

DEPARTMENT PASS USOAS

E.O. 12356: DECL:OADR

TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL,
PINR, PARM, PBTS, SNAR, PINS, PHUM, SOCI, MX
SUBJECT: THE MEXICAN ARMY -- STILL PASSIVE,
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IMPROVED MILITARY HUMAN RIGHTS BEHAVIOR; (2) THE INITIATION OF POLITICAL/MILITARY TALKS WITH MEXICO PROPOSED SEPTEL; AND (3) THE PARTICIPATION OF MEXICO IN THE JULY 22-24 DEFENSE MINISTERIAL OF THE AMERICAS TO BE HELD IN WILLIAMSBURG, VIRGINIA.

7. TO REACH THESE GOALS, WE WILL NEED TO DEAL WITH THE TRADITIONAL MEXICAN POLICY OF NON-INTERVENTION WHICH MAKES FOREIGN MINISTRY AND MILITARY ESTABLISHMENT ALIKE OPPOSED AT THIS TIME TO ANY FORM OF JOINT HEMISPHERIC DEFENSE FORCE OR OTHER MULTILATERAL HEMISPHERIC MILITARY INSTITUTION; WE MUST RECOGNIZE THAT, ON THESE ISSUES, THE MEXICAN MILITARY REMAINS AN EXTREMELY CONSERVATIVE INSTITUTION WHICH LOOKS SKEPTICALLY ON ISSUES OF INTERNATIONAL COOPERATION. HOWEVER, WE REMAIN OPTIMISTIC OF THE POSSIBILITIES OF SUCCESS IN PERSUADING OUR MEXICAN MILITARY (AND CIVILIAN) COUNTERPARTS OF THE WISDOM OF CLOSER CONTACTS WITH THE U.S. BILATERALLY AND OTHER HEMISPHERIC PARTNERS IN MULTINATIONAL FORA. END SUMMARY.

A STABLE INSTITUTION

8. THE SALIENT FACT ABOUT THE STRUCTURE OF THE MEXICAN ARMY IS ITS REMARKABLE STABILITY AND CONFIDENTIAL

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CONTINUITY OVER THE YEARS. SINCE THE POST-REVOLUTIONARY PERIOD, ESPECIALLY THE PRESIDENTIAL "SEXENIO" OF PRESIDENT AND GENERAL LAZARO CARDENAS, 1934-40, THE ARMY HAS REMAINED OUT OF POLITICS, CLOSED IN STRUCTURE, WELL-FED, DEVOTED TO DOMESTIC SOCIAL ACTIVITIES THAT HAVE LITTLE IN COMMON WITH THE ROLE THE ARMY PLAYS IN MANY OTHER COUNTRIES, YET ISOLATED FROM THE MAINSTREAM OF SOCIETY AND ITS VIEWS. WITH A TOTAL STRENGTH OF ABOUT 120,000 SOLDIERS OUT OF A TOTAL MEXICAN POPULATION OF ABOUT 92 MILLION (ESTIMATED 1994), MEXICO'S TROOP TO CIVILIAN POPULATION RATIO, WHICH HAS NOT CHANGED FOR MANY YEARS (AND WHICH NO ONE PROPOSES TO CHANGE) IS ONE OF THE LOWEST IN THE WORLD.

9. SIMILARLY, ITS ANNUAL BUDGET CONSISTENTLY COMES IN AT ABOUT .2 OF 1 PER CENT OF THE TOTAL BUDGET OF THE GOVERNMENT OF MEXICO, TINY COMPARED

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	INR-00	IO-10	L-01	MCO-01	ADS-00	MMP-00	M-00
	OIC-02	OIG-04	OMB-01	PA-01	PM-00	PRS-01	P-01
	SP-00	SSO-00	SS-00	TRSE-00	T-00	USIE-00	DTC-01
	FMP-00	SNIS-00	NISC-01	SSD-01	PMB-00	DRL-09	G-00

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 3996

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

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ISOLATED, AND ABOVE THE FRAY?

TO MOST INDUSTRIALIZED COUNTRIES (OR MANY LATIN AMERICAN COUNTRIES.) THIS RATIO, TOO, HAS REMAINED FIXED IN PRACTICE WITHIN RECENT MEMORY AND DOES NOT SEEM LIKELY TO CHANGE, ALTHOUGH THE RECENT FINANCIAL CRISIS MAY FORCE THE PROPORTION TO GROW STILL SMALLER. MAKING THE ARMY'S RESOURCES EVEN SCARCER IS THE FACT THAT, DUE TO ITS FORCED ISOLATION FROM THE REST OF THE GOVERNMENT, IT MUST PAY CASH FOR MANY GOODS AND SERVICES WHICH IT PURCHASES FROM CIVILIAN SECTORS OF THE GOVERNMENT OF MEXICO.

10. THIS SMALL, FIXED BUDGET HAS MADE PROGRESS IN MANY AREAS DIFFICULT, ESPECIALLY THE MODERNIZATION OF EQUIPMENT WHICH IS SO SORELY NEEDED. THE OUTBREAK OF HOSTILITIES IN CHIAPAS IN 1994 BECAME THE OPPORTUNITY FOR MUCH-NEEDED MODERNIZATION, AS SALINAS' GOVERNMENT FOUND DISCRETIONARY FUNDS TO BE USED ON EQUIPMENT PURCHASES FROM MANY COUNTRIES -- FRENCH LIGHT ARMORED VEHICLES (FROM BELGIUM), MERCEDES BENZ WATER CANNONS FROM GERMANY, ANTI-MINE TRAINING FROM THE U.K. (THE NAVY PURCHASED RUSSIAN HELICOPTERS DURING THE SAME PERIOD.) THE U.S. INABILITY TO FULFILL CERTAIN MEXICAN EQUIPMENT PURCHASE AND TRAINING REQUESTS DURING THIS PERIOD DUE TO CONCERNS OVER WHETHER THE EQUIPMENT WOULD BE USED IN CHIAPAS, IS AN INABILITY WHICH OUR MEXICAN MILITARY INTERLOCUTORS CONTINUE TO LOSE NO OPPORTUNITY TO REMIND US THAT CONFIDENTIAL

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ALL DECISIONS ARE MADE AT THE TOP

11. THE KEY TO UNDERSTANDING DECISIONMAKING IN THIS ISOLATED, SELF-ABSORBED INSTITUTION IS TO KNOW THAT IT IS CENTRALIZED TO WHAT SEEMS A MANIC DEGREE EVEN COMPARED TO THE WORLD OF OBEDIENCE AND DISCIPLINE WHICH IS THE MILITARY IN MOST COUNTRIES. EVEN THE SMALLEST DECISIONS MUST BE MADE AT THE VERY TOP OF THE HIERARCHY. ONCE

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ISSUED, DECISIONS ARE NOT DEVIATED FROM UNLESS THERE IS A NEW HIGH-LEVEL DECISION.

12. FOR EXAMPLE, U.S. MILITARY OFFICIALS LAST YEAR HAD BEEN PLANNING FOR A JOINT ANNUAL PARACHUTE JUMP WITH THE MEXICAN ARMY. WHEN THE

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C O N F I D E N T I A L SECTION 04 OF 17 MEXICO 010043

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TIME CAME FOR JUMPING FROM MEXICAN PLANES, THAT SIDE OF THE JUMP WAS CANCELLED. WHY? BECAUSE THE ORDER ALLOWING THE JUMP HAD SPECIFIED THAT IT WAS TO TAKE PLACE FROM AN ARAVA PLANE, AND AT THE MOMENT NONE OF MEXICO'S ARAVA PLANES WERE AVAILABLE. NO OTHER TYPE OF AIRCRAFT COULD BE SUBSTITUTED SINCE ONLY THE ARAVA HAD BEEN SPECIFIED IN THE ORDER.

THE BASIC MISSIONS OF THE MEXICAN ARMY

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13. THE MEXICAN ARMY HAS LONG SET AS ITS BASIC MISSIONS THE FOLLOWING: (1) EXTERNAL SECURITY. (2) INTERNAL SECURITY. (3) CIVIC AFFAIRS. (4) COUNTERNARCOTICS. ALTHOUGH ARMY OFFICIALS INSIST THAT THIS ORDERING REFLECTS ITS ACTUAL PRIORITIES, THE REALITY IS THAT BOTH ECONOMIC AND HUMAN RESOURCES TEND TO REFLECT THE PRIORITIES IN PRECISELY THE REVERSE ORDER. THAT IS, COUNTERNARCOTICS TENDS TO BE THE ARMY'S MAJOR ACTIVITY. CIVIL AFFAIRS ARE ALMOST AS IMPORTANT. INTERNAL SECURITY COMES NEXT, WHILE EXTERNAL SECURITY, IN THIS COUNTRY WHICH FACES LITTLE CONCEIVABLE OUTSIDE MILITARY THREAT, TAKES UP RELATIVELY FEW RESOURCES. (WHILE WE WOULD CLASS THE CHIAPAS INSURGENCY AS PRIMARILY AN INTERNAL SECURITY THREAT, THE ARMY DEFINES IT AS PRIMARILY CONFIDENTIAL

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MEXICO 10043 04 OF 17 110113Z PAGE 04 AN EXTERNAL THREAT. IN ITS VIEW, THE CHIAPAS REBELS ARE ARMED AND DIRECTED BY OUTSIDERS.) WHILE WE DISCUSS THE ARMY'S RESPONSE TO THE MAIN INTERNAL AND "EXTERNAL" THREAT (THE REBELS IN CHIAPAS) ELSEWHERE, IT IS WORTH SAYING A FEW WORDS ABOUT COUNTERNARCOTICS AND CIVIL AFFAIRS.

COUNTERNARCOTICS:

 IN OUR VIEW, THIS IS THE MOST PREOCCUPYING, PERMANENT TASK OF THE MEXICAN MILITARY. MILITARY COUNTERNARCOTICS EFFORTS ARE CENTERED ALMOST EXCLUSIVELY ON MANUAL ERADICATION (PULLING AND CUTTING COCA AND MARIJUANA CROPS BY HAND.) IT IS A TASK WHICH THE ARMY IS SAID NOT TO RELISH, BOTH BECAUSE OF THE CONNOTATIONS OF DEGRADING MANUAL LABOR WHICH THE TASK ENTAILS, AND BECAUSE INVOLVEMENT IN COUNTERNARCOTICS ALWAYS CARRIES

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 3998

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

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WITH IT THE RISK OF COMPROMISE BY NARCOTRAFFICKERS.

- 15. MANY OUTSIDE OBSERVERS HAVE SUGGESTED THAT THE EVENTS IN CHIAPAS HAVE FORCED THE ARMY TO DECREASE ITS ATTENTION TO COUNTERNARCOTICS. BUT IN THEIR CONVERSATIONS WITH POLOFF, PREVIOUS ARMY CHIEF OF INTELLIGENCE GENERAL PERES TOLEDO AND FOREIGN LIAISON OFFICER TO ACCREDITED MILITARY ATTACHES LTC. ACATA PANIAGUA ROUNDLY REBUTTED THIS PRESUMPTION, WITHOUT CITING ANY EVIDENCE TO BACK UP THEIR REBUTTAL. EMBASSY ANALYSIS IS THAT RESOURCES AND OPERATIONS HAVE BEEN REDUCED, BUT STATISTICAL RESULTS HAVE IMPROVED DUE TO THE ARMY'S MORE EFFICIENT PLANNING AND OPERATIONS.
- 16. WE HAVE HEARD THAT SOME SENIOR OFFICERS HAVE COMPLAINED TO PRESIDENT ZEDILLO ABOUT THE NEGATIVE EFFECT THEIR ROLE IN COUNTERNARCOTICS HAS ON THE ARMY AS AN INSTITUTION. SOME SENIOR OFFICIALS BELIEVE THAT IT DISTRACTS THEM FROM THEIR REAL MISSION. SECRETARY OF THE ARMY CERVANTES, HOWEVER, HAS ADVOCATED AN INTENSIFICATION OF THE ARMY'S COUNTERNARCOTICS EFFORTS, AND IS EVEN SAID TO HAVE ADVISED MILITARY COMMANDERS IN AND AROUND

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CHIAPAS (OBVIOUSLY OCCUPIED WITH OTHER MATTERS) NOT TO LET SUCH EFFORTS SLACKEN.

CIVIC ACTION: ______

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17. PRIMARILY, CIVIC ACTION ("LABOR SOCIAL") CONCERNS SOCIAL WELFARE VISITS TO POOR, RURAL COMMUNITIES. THE ARMY ALSO PERFORMS A HIGHLY REPUTED DISASTER RELIEF FUNCTION.

18. SOCIAL WELFARE VISITS, HOWEVER, STRIKE US AS A MEXICAN PHENOMENON. TYPICALLY, A 200 PERSON UNIT WILL VISIT A DEPRESSED, RURAL TOWN FOR A WEEK WITH DOCTORS (ARMY DOCTORS ARE CONSIDERED BY MANY THE BEST IN MEXICO), DENTISTS, MASONS, ELECTRICIANS, ENGINEERS, AND BARBERS. A NURSING STAFF ALSO USUALLY ACCOMPANIES. THE MEDICAL TEAM TAKES APPOINTMENTS FROM ALL TOWNSPEOPLE WHO DESIRE THEIR SERVICES (BARBERS BEING AN IMPORTANT PART OF THE MEDICAL TEAM IN A COUNTRY WHERE SCALP DISEASES AND PARASITES RUN RAMPANT AMONG MANY OF THE RURAL POOR), PROVIDING SCREENINGS AND MEDICINES. ALL IS FREE OF CHARGE. THE MASONS, ELECTRICIANS AND

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	SP-00	SSO-00	SS-00	TRSE-00	T-00	USIE-00	DTC-01
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ENGINEERS REPAIR BROKEN SCHOOL WALLS, DRILL WELLS, BUILD MODERN TOILETS FOR EDUCATIONAL AND OTHER PUBLIC FACILITIES, REPAIR BROKEN ELECTRICAL EQUIPMENT, AND LAY SIDEWALKS. PUPPET SHOWS ARE PROVIDED FOR CHILDREN TO INFORM THEM ABOUT GOOD HYGIENE PRACTICES. FAMILY PLANNING ADVICE IS DISPENSED OFTEN PUTTING THE MILITARY AT ODDS WITH LOCAL CHURCH OFFICIALS.

19. THESE MILITARY VISITS, THOUGH THEY SELDOM RECEIVE MUCH PUBLICITY IN THE NATIONAL PRESS, ARE A MUCH DESIRED INSTITUTION IN POOR AND RURAL AREAS. THE ARMY DIVIDES MEXICO INTO 38 MILITARY ZONES: ABOUT TWO SUCH VISITS PER MONTH TAKE PLACE IN EACH ZONE. THIS NUMBER IS NOT FIXED: SINCE THE FIRST OF THE YEAR, THE CIVIC ACTION BATTALION OF THE MILITARY REGION OF CHIAPAS HAS MADE THIS A PERMANENT ACTIVITY THERE, FOR EXAMPLE.

IXED FOR LIFE: CAREER OFFICERS CONFORM AND PROSPER

20. THE ARMY IS A WAY OF LIFE FOR THE TYPICAL CAREER OFFICER. RETIREMENT AGES ARE EASILY CIRCUMVENTED FOR MOST. ALTHOUGH THE PREVIOUS SECRETARY OF DEFENSE, RIVIELLO, REPRESENTED AN EXTREME (HE HAD JOINED THE ARMY AT AGE 15 AND HAS NOW SPENT 61 YEARS IN MILITARY SERVICE), IT IS NOT AT ALL UNUSUAL TO FIND OFFICERS WITH 40 OR 50 CONFIDENTIAL

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PAGE 04 MEXICO 10043 06 OF 17 110113Z YEARS OF TOTAL SERVICE. IN A COUNTRY WHERE MOST GOVERNMENT ORGANIZATIONS, SUCH AS CABINET-LEVEL MINISTRIES, ARE LED BY MEN AND WOMEN IN THEIR EARLY FORTIES, OR EVEN THIRTIES, THE ARMY IS

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(RELATIVELY, AND BY YOUTHFUL MEXICAN STANDARDS) A GERONTOCRACY, WHERE MOST LEADERS ARE IN THEIR FIFTIES OR SIXTIES.

21. THE MOST IMPORTANT "TICKET TO PUNCH" IN ADVANCING IN THE MEXICAN MILITARY IS TO BE ACCEPTED INTO THE COMMAND AND STAFF COLLEGE. EVERY YEAR, OVER 1,000 OFFICERS APPLY. 600 ARE ALLOWED TO TAKE THE TEST, AND OF THESE, 110 ARE ACCEPTED. THOSE ACCEPTED FACE THREE GRUELING YEARS OF GRINDING PEDAGOGY AND INTENSE COMPETITION, WHICH NARROWS THEIR NUMBER TO 35 A YEAR.

22. ONCE HAVING OBTAINED A DIPLOMA (BECOMING A

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C O N F I D E N T I A L SECTION 07 OF 17 MEXICO 010043

DEPARTMENT PASS USOAS

E.O. 12356: DECL:OADR
TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL,
PINR, PARM, PBTS, SNAR, PINS, PHUM, SOCI, MX
SUBJECT: THE MEXICAN ARMY -- STILL PASSIVE,
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PAGE 03 MEXICO 10043 07 OF 17 110114Z ISOLATED, AND ABOVE THE FRAY?

"DIPLOMADO"), AN OFFICER IS FIXED FOR LIFE (ALTHOUGH STILL SUBJECT TO THE SHIFTING WINDS OF

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THE MEXICAN ECONOMY, WHICH HAS CAUSED FINANCIAL PRESSURE EVEN TO THE "DIPLOMADOS.") HE BECOMES ONE OF THE TINY ELITE IN THE MEXICAN ARMY WITH A COLLEGE DEGREE. (THE PREVIOUS CADET TRAINING WHICH OFFICERS RECEIVE IS HIGH SCHOOL LEVEL; ELSEWHERE IN THE MILITARY, ONLY MILITARY DOCTORS AND MILITARY ENGINEERS ROUTINELY POSSESS COLLEGE DEGREES.) FOR THE "DIPLOMADOS," SALARIES INCREASE BY 50 PER CENT, PLUS COST OF LIVING ALLOWANCES, HOUSING, AND NUMEROUS OTHER ALLOWANCES WHICH ALLOW SOME OFFICERS TO LEGALLY EARN THREE TIMES THEIR BASE SALARY.

23. ISOLATED FROM THE OUTSIDE WORLD, THESE TOP OFFICERS TEND TO THINK ALIKE, BEHAVE ALIKE. THEY ARE CONSERVATIVE IN THEIR POLITICS (BUT WITH MANY MORE TIES TO THE RULING PARTY OF THE INSTITUTIONAL REVOLUTION (PRI) THAN TO THE CONSERVATIVE OPPOSITION NATIONAL ACTION PARTY (PAN.) (THOUGH IT MAY SEEM ODD TO THE OUTSIDE OBSERVER, TIES TO THEN-BREAKAWAY EX-PRI LEADER CUAUHTEMOC CARDENAS IN HIS 1988 PRESIDENTIAL BID LED AN ASTOUNDING NUMBER OF THE RANK AND FILE TO WORK FOR HIS CAMPAIGN. THIS IS ATTRIBUTED, IN PART AT LEAST, TO CARDENAS' FATHER, A GENERAL WHO WAS MUCH LOVED BY THE ARMY.)

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MEXICO 10043 07 OF 17 THEY RARELY HAVE AMBITIONS, POST-CAREER OR OTHERWISE, BEYOND CAREER ADVANCEMENT IN THE SERVICE, ALTHOUGH A FEW RETIRED MILITARY FIGURES GO ON TO BECOME FEDERAL SENATORS, DEPUTIES, AND, OCCASIONALLY, GOVERNORS OF STATES. MORE THAN THE MEXICAN POLITY OVERALL, THEY ARE SUSPICIOUS OF THE U.S. AND ITS MOTIVES, THOUGH WARM AND FRIENDLY WITH INDIVIDUAL AMERICANS, INCLUDING USG OFFICIALS. THEY ARE STRIKINGLY SECULAR - THE LONG-STANDING LACK OF WARMTH BETWEEN THE GOVERNMENT OF MEXICO AND THE CATHOLIC CHURCH RUNS PARTICULARLY STRONG AMONG MILITARY OFFICIALS, WHOSE OFFICIAL TRAINING INCULCATES THOSE WHO DID NOT ALREADY POSSESS THEM WITH A STRONGLY SECULAR (MANY SAY ANTI-CATHOLIC CHURCH) ORIENTATION. GENERAL MANUEL AVILA CAMACHO, MEXICO'S LAST MILITARY PRESIDENT, USHERED IN AN ERA OF GOOD

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FEELINGS BETWEEN THE GOVERNMENT AND THE CHURCH WHEN HE PUBLICLY ANNOUNCED THAT HE WAS A BELIEVER

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O 110109Z MAY 95

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 4001

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

NSC WASHDC

DIA WASHDC

SECNAV WASHDC

DEAHOS WASHDC

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AMEMBASSY PARIS WHITEHOUSE WASHDC AMEMBASSY BOGOTA AMEMBASSY LONDON DOD WASHDC AMEMBASSY MADRID USUN NEW YORK AMEMBASSY OTTAWA USMISSION USNATO COGARD INTELCOORDCEN WASHDC DOJ WASHDC SECDEF WASHDC AMEMBASSY TOKYO ONI SUITLAND MD//JJJ// AMEMBASSY SANTIAGO OSAF WASHDC//IAL// AMEMBASSY MOSCOW AMEMBASSY CARACAS

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AND OPTED NOT TO ENFORCE MANY OF THE CONSTITUTION'S MOST HATED ANTI-CATHOLIC PROVISIONS.

ANTAGONISTIC TO THE PGR, CONDESCENDING TO THE NAVY

RELATIONS WITH THE NAVY:

25. THERE ARE TWO "MILITARY" MEMBERS OF THE MEXICAN CABINET, THE SECRETARY OF DEFENSE AND THE SECRETARY OF THE NAVY. IN MEXICO, "DEFENSE" MEANS ONLY THE ARMY, INCLUDING THE AIR FORCE, WHILE "NAVY" MEANS NAVY AND ITS NAVAL INFANTRY

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COMPARABLE TO OUR MARINE CORPS. THE TWO BRANCHES ARE HELD TO BE CO-EQUAL, AND NEITHER IS SUPPOSED TO HAVE A DOMINANT POSITION OVER THE OTHER.

IN REALITY, THE ARMY, BEING LARGER AND MORE POWERFUL THAN THE NAVY, TENDS TO ASSUME A MORE POWERFUL POSITION. SOME OBSERVERS CLAIM TO SEE SUBTLE DIFFERENCES IN TREATMENT AND POSITIONING DURING OFFICIAL MILITARY CEREMONIES WITH THE PRESIDENT. JOINT MANEUVERS ARE FEW, ALTHOUGH THE TWO BRANCHES ARE NOW COOPERATING SOMEWHAT IN OPERATIONS IN CHIAPAS.

RELATIONS WITH THE PGR:

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27. STILL, RELATIONS BETWEEN THE ARMY AND NAVY ARE WARM AND CORDIAL (OR AT LEAST PROPER AND CORRECT) COMPARED TO THOSE BETWEEN THE ARMY AND THE ATTORNEY GENERAL'S OFFICE (PGR, WHICH OVERSEES THE JUDICIAL POLICE, PJF. THE ARMY VIEW, SHARED BY MANY, IS THAT THE PJF IS CORRUPT, UNPROFESSIONAL, AND INEFFECTIVE, WHILE THE ARMY IS INCORRUPTIBLE. NEEDLESS TO SAY, NON-MILITARY OBSERVERS DO NOT SHARE THIS VIEW OF THE ARMY'S INCORRUPTIBILITY.

PANIAGUA PUT MATTERS INTO CLEARCUT ARMY PERSPECTIVE IN HIS CONVERSATION WITH POLOFF: "IF YOU WANT TO SEE THE DIFFERENCE, JUST LOOK AT THE EXPENSIVE HOMES PGR OFFICIALS LIVE IN, THE CARS THEY DRIVE, THE WATCHES THEY WEAR. HOW CAN THEY AFFORD SUCH LUXURY ON A GOVERNMENT SALARY? HOW

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FMP-00	SNIS-00	NISC-01	SSD-01	PMB-00	DRL-09	G-00
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O 110109Z MAY 95

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 4002

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BÚENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

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SECNAV WASHDC

DEAHOS WASHDC

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ALL USCONS MEXICO

AMEMBASSY PARIS

WHITEHOUSE WASHDC

AMEMBASSY BOGOTA

AMEMBASSY LONDON

DOD WASHDC

AMEMBASSY MADRID

USUN NEW YORK

AMEMBASSY, OTTAWA

USMISSION USNATO

COGARD INTELCOORDCEN WASHDC

DOJ WASHDC

SECDEF WASHDC

AMEMBASSY TOKYO

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ONI SUITLAND MD//JJJ//
AMEMBASSY SANTIAGO
OSAF WASHDC//IAL//
AMEMBASSY MOSCOW
AMEMBASSY CARACAS

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DID (FORMER DEPUTY ATTORNEY GENERAL) RUIZ MASSIEU, (DETAINED AT NEWARK AIRPORT WITH LARGE QUANTITIES OF UNDECLARED CASH) MAKE EIGHTEEN MILLION US DOLLARS IN JUST TEN MONTHS AT THE PGR? THEN LOOK AT WHERE ARMY GENERALS LIVE, THE CARS THEY DRIVE, THE HUMBLE WATCHES THEY WEAR. WHO IS CORRUPT? SEE FOR YOURSELF!" (COMMENT: WE NOTE THAT HIGH RANKING MEXICAN MILITARY OFFICERS ARE FELT BY MOST OBSERVERS TO LIVE LIVES OF PLEASANT MATERIAL COMFORT, DESPITE PANIAGUA'S PLAINTIVE CRY. END COMMENT.)

29. THIS INTER-GOVERNMENTAL HOSTILITY CAME TO THE BOILING POINT AFTER THE NOVEMBER 1991 "LA VIBORA" INCIDENT IN THE STATE OF VERACRUZ, IN WHICH ARMY OFFICERS WERE SUSPECTED OF HAVING COOPERATED WITH NARCOTRAFFICKERS FLYING IN A SHIPMENT OF DRUGS WHILE 7 PGR OFFICIALS WHO CAME ON THE SCENE WERE SHOT AND KILLED. THE ARMY, USED TO BEING PORTRAYED, AND PORTRAYING ITSELF, AS UNCORRUPTIBLE, REMAINS ETREMELY SENSITIVE ABOUT THE INCIDENT. FOR EXAMPL, MEXICAN DAILY "LA JORNADA," WHICH COVERED THE TORY, STILL IS NOT ALOWED AT MILITARY PRESS BRIFINGS FOUR YEARS LATER, ACCORDING TO DAVID APONT, THE RESPECTED "JORNADA" JOURNALIST WHO THEN COERED MILITARY AFFAIRS. TWO MILITRY OFFICERS WHO WERE TRIED AND CONVICTED IN THE MATTER WERE SUBSEQUENTLY

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PAGE 04 MEXICO 10043 09 OF 17 110114Z PUBLISHED LAST WINTER TRIED TO TURN THE TABLES ON THE PGR AND EXONERATE THE ARMY.

THIS SIMMERING HOSTILITY HAS PLAYED OUT IN THE ARREST WARRANTS ISSUED AGAINST EZLN "SUBCOMMANDANTE" MARCOS BY THE PGR IN FEBRUARY. TO PURSUE THE WARRANTS, THE PGR SET UP CHECKPOINTS IN AREAS OUTSIDE THE "INNER" AREAS WHERE THE ARMY HAD NOT ALREADY SET UP CHECKPOINTS. WE HAVE RARELY SEEN JOINT ARMY/PGR CHECKPOINTS, OR EVEN SEEN ARMY AND PJF PERSONNEL TOGETHER, EXCEPT WHEN LOCAL OFFICIALS WERE ALSO PRESENT, ALTHOUGH WHEN DATT VISITED GUADALUPE TEPEYAC EARLIER THIS YEAR, HE NOTICED THAT A PGR MEMBER ACCOMPANIED THE ARMY COLUMN. WE HAVE SEEN OTHER EVIDENCE OF SUCH NOMINAL COOPERATION, AS WELL. ALTHOUGH PGR OFFICIALS (SUCH AS ACTING COMMANDER OF THE PJF ENRIQUE GANDARA) HAVE BEEN AT PAINS TO STRESS TO POLOFF THE LACK OF INCIDENTS BETWEEN THE ARMY AND

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FAA WASHDC
AMEMBASSY BUENOS AIRES
AMEMBASSY BELIZE
CINCUSACOM NORFOLK VA
USSOUTHCOM QUARRY HTS PM
CJCS WASHDC
AMEMBASSY SAN SALVADOR
NSC WASHDC
DIA WASHDC
SECNAV WASHDC
DEAHQS WASHDC
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PGR IN CHIAPAS, NO ONE HAS GONE SO FAR AS TO ACTUALLY INDICATE A CLOSE WORKING RELATIONSHIP THERE.

CHIAPAS WAS THE CATALYST FOR CHANGE

- 31. IT IS IMPOSSIBLE TO UNDERSTAND THE ROLE THAT THE CHIAPAS INSURGENCY HAS PLAYED IN MEXICAN POLITICAL LIFE WITHOUT UNDERSTANDING THE POSTURE THAT THE MILITARY HAS TAKEN TOWARDS IT. THE MEXICAN ARMY, LIKE THE REST OF MEXICO, CLAIMS TO HAVE BEEN CAUGHT BY SURPRISE JANUARY 1, 1994, WHEN THE INSURGENCY BROKE OUT. (ALTHOUGH THE ARMY WAS AWARE OF AN ONGOING INSURGENCY IN CHIAPAS, IT CLAIMS TO HAVE BEEN UNAWARE THAT THE EZLN WOULD MAKE ITS DRAMATIC ACTIONS ON THAT DATE.) IT WAS HUMILIATED BY THE FACT THAT THE PUBLIC VIEWED IT AS UNPREPARED FOR THE INSURGENCY. ITS TROOPS WERE, TO SAY THE LEAST, NOT PREPARED FOR COUNTERINSURGENCY COMBAT.
- 32. TO MAKE MATTERS WORSE, THE NEWSPAPERS WERE SOON FULL OF ALLEGATIONS OF HUMAN RIGHTS ABUSES (SOME, WE BELIEVE, BUT NOT BY ANY MEANS ALL, UNTRUE OR EXAGGERATED) COMMITTED BY THE ARMY. THE ARMY HAD, AND STILL HAS, FEW OR NO FRIENDS IN THE MEDIA TO WHOM IT CAN TURN TO GIVE ITS SIDE OF THE CONFIDENTIAL

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PAGE 04 MEXICO 10043 10 OF 17 110115Z STORY AND EXPECT A SYMPATHETIC HEARING, AND SO LITTLE "PRO-MILITARY" SPIN DEVELOPED IN THE PRESS OR AMONG A PUBLIC WHICH STILL HAS BITTER MEMORIES OF THE ARMY'S BLOODY ROLE IN PUTTING DOWN STUDENT DEMONSTRATIONS BEFORE THE 1968 MEXICO CITY OLYMPICS, THE SO-CALLED "TLATELOLCO MASSACRE." THE PERCEIVED HUMILIATION GREW WORSE IN THE

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FOLLOWING WEEKS WHEN PRESIDENT SALINAS DECIDED TO TURN TO MEDIATION RATHER THAN TO THE MILITARY AS HIS MEANS TO DEAL WITH THE CONFLICT; THE ARMY VIEWED HIS DECISION AS A SLAP IN THE FACE.

33. BUT THIS PERCEIVED HUMILIATION STEMMING OUT OF CHIAPAS HAS BROUGHT TANGIBLE CHANGES IN THE ARMY. FOR EXAMPLE, THE STINGING CHARGES OF HUMAN RIGHTS ABUSE HAVE LED TO A FAR GREATER CONSCIOUSNESS OF THE IMPORTANCE OF HUMAN RIGHTS AS A PUBLIC ISSUE, AND THE NEED TO INVESTIGATE ALLEGATIONS. THE ORIGINAL HUMAN RIGHTS

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ALLEGATIONS LED TO THE IMMEDIATE CREATION OF A BUREAU WITH OFFICES ON THE GROUND IN CHIAPAS TO INVESTIGATE, ACCORDING TO PERES TOLEDO, "EVERY SINGLE COMPLAINT, NO MATTER HOW MINOR, AGAINST THE MEXICAN ARMY IN CHIAPAS." HE SAID THAT SOME MINOR

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INFRACTIONS HAVE ACTUALLY BEEN PUNISHED, AND DISCOUNTS MURDER CHARGES IN OCOSINGO AND ELSEWHERE AGAINST MEMBERS OF THE ARMY, SAYING THAT INVESTIGATIONS DID NOT CONFIRM THE ACCUSATIONS. RELIABLE HUMAN RIGHTS ORGANIZATIONS AND OTHERS, WHO CLAIM THAT THEY HAVE THE "MORAL" EVIDENCE, WOULD NOT AGREE WITH HIS ASSESSMENT.

34. PERES TOLEDO CLAIMED, WITHOUT SUPPLYING EVIDENCE, THAT OFFICERS WITH SOME PUBLIC RELATIONS SAVVY ARE NOW FAR MORE LIKELY TO BE PROMOTED ON THAT BASIS THAN BEFORE, AND THE ARMY NOW HAS A PRESS OFFICE (WHICH AN OBSÉRVER SAYS NEVERTHELESS "IS NOT ALLOWED TO SHARE ANY INFORMATION WITH THE PRESS!") THIS ENHANCED ATTENTION TO PUBLIC RELATIONS MAY FINALLY BE PRODUCING TANGIBLE EFFECTS; A RECENT ARMY "CHARM OFFENSIVE" IN CHIAPAS WHICH BEGAN IN FEBRUARY, 1995, HAS BEGUN TO RESULT IN A FEW MAGAZINES AND NEWSPAPERS FEATURING PICTURES OF MILITARY LEADERS IN CHIAPAS HIGHLIGHTING THE ARMY'S PEACEFUL INTENTIONS AND CIVIC ACTION ACTIVITIES IN THE STRIFE-TORN STATE.

35. ANOTHER TANGIBLE CHANGE IN THE ARMY STEMMING CONFIDENTIAL

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PAGE 04 MEXICO 10043 11 OF 17 110115Z FROM CHIAPAS IS THE CREATION OF COUNTERINSURGENCY UNITS. IN MANY WAYS, THE MEXICAN ARMY IN MODERN TIMES HAS FUNCTIONED MORE AS A HIGHLY DISCIPLINED POLICE AND RESCUE SQUAD, COMBATTING NARCOTICS TRAFFICKING AND PROVIDING MEDICAL ASSISTANCE AND EMERGENCY RESCUE FACILITIES, THAN AS A COMBAT FORCE. THESE NEW UNITS MAKE THE ARMY MORE CAPABLE OF ADDRESSING CONFLICTS SUCH AS THE ONE IN CHIAPAS, THE ONLY SORT MODERN-DAY MEXICO IS LIKELY TO FACE WITHIN ITS BORDERS. BUT OBSERVERS SAY THAT, SO FAR, THESE UNITS HAVE NOT LIVED UP TO EXPECTATIONS. THEY WERE DESIGNED AS SPECIAL OPERATIONS UNITS, BUT HAVE, TO DATE, RECEIVED NO SPECIAL OPERATIONS TRAINING.

36. A GREAT FEAR OF THE GOM IS THAT THE ARMED MOVEMENT IN CHIAPAS WOULD SPREAD TO OTHER SOUTHERN STATES POPULATED LARGELY BY INDIGENOUS PEOPLES, SUCH AS TABASCO AND OAXACA (OR EVEN AS FAR AS

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 4005

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

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AMEMBASSY SAN SALVADOR

NSC WASHDC

DIA WASHDC

SECNAV WASHDC

DEAHQS WASHDC

DIRNSA FT GEORGE G MEADE MD

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AMEMBASSY BOGOTA

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AMEMBASSY LONDON
DOD WASHDC
AMEMBASSY MADRID
USUN NEW YORK
AMEMBASSY OTTAWA
USMISSION USNATO
COGARD INTELCOORDCEN WASHDC
DOJ WASHDC
SECDEF WASHDC
AMEMBASSY TOKYO
ONI SUITLAND MD//JJJ//
AMEMBASSY SANTIAGO
OSAF WASHDC//IAL//
AMEMBASSY MOSCOW
AMEMBASSY CARACAS

C O N F I D E N T I A L SECTION 12 OF 17 MEXICO 010043

DEPARTMENT PASS USOAS

E.O. 12356: DECL:OADR
TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL,
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PUEBLA, VERACRUZ AND GUERRERO), ONE OF THE ORIGINAL STATED GOALS OF THE LEADERS OF THE EZLN. REMINDED OF THAT POSSIBILITY, PERES TOLEDO REPLIED FORCEFULLY THAT THE UNITS WERE PERMANENT AND WOULD NOT BE DISBANDED AFTER THE CHIAPAS DISPUTE HAD BEEN SETTLED.

37. ZEDILLO'S TEMPORARY USE OF THE ARMY TO STEM THE INSURGENCY WITH PGR ARREST WARRANTS AND MILITARY ACTION FOLLOWING THE DISCOVERY OF ARMS CACHES WAS A TONIC TO THAT SIGNIFICANT PORTION OF THE ARMY THAT WANTED TO ADDRESS ITS EARLIER HUMILIATION BY A SUCCESSFUL COUNTERINSURGENCY ACTION. ALTHOUGH ZEDILLO HAS MADE IT CLEAR HE WILL NOT RELY ON THE ARMY TO SOLVE A CONFLICT WHICH CAN ONLY BE SUCCESSFULLY SOLVED THROUGH MEDIATION, THE ARMY HAS NOW SHOWN THE MEXICAN PUBLIC AND GOVERNMENT THAT IT COULD REGAIN REBEL

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TERRITORY QUICKLY AND EFFICIENTLY, WITH FEW CONFRONTATIONS. ACADEMIC OBSERVERS HAVE SUGGESTED TO US THAT THIS CHANCE FOR THE ARMY TO RECOUP ITS LOST HONOR MAY GO A LONG WAY IN ENSURING ITS CONTINUED LOYALTY TO ZEDILLO'S GOVERNMENT.

POSSIBLE MILITARY ROLE IF MASS INSTABILITY OCCURS

38. BY NOW, WE HAVE BECOME ACCUSTOMED TO CONFIDENTIAL

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PAGE 04 MEXICO 10043 12 OF 17 110115Z OCCASIONAL PIECES IN U.S. NEWSPAPERS HINTING THAT SOMEHOW INSTABILITY COULD LEAD TO SOME FORM OF MILITARY INTERVENTION IN MEXICO'S CIVILIAN GOVERNMENT. THESE SCENARIOS STRIKE US AS FARFETCHED, TO SAY THE LEAST. OFTEN, FRANKLY, THESE ARTICLES SEEM TO SERVE AS A SORT OF JOURNALISTIC SNAKE-BITE MEDICINE TO COMPENSATE FOR LACK OF HARD KNOWLEDGE, IN WHICH OVEREAGER REPORTERS PUT THE MOST SENSATIONAL GLOSS ON THE HYPOTHESES OF ACADEMICS OR ATTENTION-SEEKING RUMORS ON MEXICO CITY'S "INSIDE-THE-PERIFERICO" COCKTAIL CIRCUIT. WHAT MAKES THESE OCCASIONAL JOURNALISTIC AND OTHER SUPPOSITIONS MOST QUESTIONABLE IS THAT NO ONE IN MEXICO, OUTSIDE OF THE MILITARY ITSELF, ENJOYS MUCH (OR ANY) ACCESS TO THE INNER WORKINGS OF MEXICAN MILITARY. JOURNALISTS IN PARTICULAR (MEXICAN OR FOREIGN) ARE ANATHEMA TO THOSE WHO RUN MEXICAN DEFENSE. WE IMAGINE THAT IGNORANCE OF THE FACT THAT THE

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O 110109Z MAY 95 FM AMEMBASSY MEXICO TO SECSTATE WASHDC IMMEDIATE 4006 AMEMBASSY GUATEMALA AMEMBASSY ROME AMEMBASSY BRASILIA DIRFBI WASHDC FAA WASHDC AMEMBASSY BUENOS AIRES AMEMBASSY BELIZE CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

NSC WASHDC

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DOJ WASHDC

SECDEF WASHDC

AMEMBASSY TOKYO

ONI SUITLAND MD//JJJ//

AMEMBASSY SANTIAGO

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MEXICAN ARMY IS NOT LIKE THAT OF ANY OTHER LATIN AMERICAN ARMY CAN ACCOUNT FOR SOME OF THE WILD SPECULATION PUT FORWARD BY FOREIGN JOURNALISTS, AS WELL.

39. WHILE DISMISSING THESE SORTS OF HIGHLY-SYNTHETIC JOURNALISTIC EFFORTS, IT IS IMPORTANT TO RECOGNIZE THAT BY THE MEXICAN MILITARY'S VERY OPACITY, THE POSSIBILITY OF MILITARY INTERVENTION IN CIVILIAN MATTERS UNDER THE RIGHT EMERGENCY CIRCUMSTANCES ACQUIRES SOME SMALL SHREDS OF POSSIBILITY FOR WANT OF ANY INFORMATION TO THE CONTRARY.

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O 110109Z MAY 95

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 4007

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

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AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

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AMEMBASSY LONDON

DOD WASHDC

AMEMBASSY MADRID

USUN NEW YORK

AMEMBASSY OTTAWA

USMISSION USNATO

COGARD INTELCOORDCEN WASHDC

DOJ WASHDC

SECDEF WASHDC

AMEMBASSY TOKYO

ONI SUITLAND MD//JJJ//

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AMEMBASSY MOSCOW

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43. IT IS INTERESTING TO OBSERVE THAT THE CONFIDENTIAL

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MILITARY AND ZEDILLO ADMINISTRATION THEMSELVES
HAVE BEEN AT PAINS TO STRESS PUBLICLY THE ARMY'S
CONTINUING LOYALTY. OBSERVERS POINT TO AN UNUSUAL
SPEECH GIVEN BY ZEDILLO'S SECRETARY OF DEFENSE
CERVANTES AT MILITARY LOYALTY DAY AT THE BEGINNING
OF FEBRUARY. CERVANTES STRESSED THE ARMY'S STRONG
AND PERMANENT COMMITMENT TO REMAIN WITHIN ITS
HISTORIC ROLE AND REITERATED ITS SUPPORT FOR
MEXICO'S CONSTITUTION AND PRESIDENT. THIS WAS A
FAR CRY FROM LAST YEAR'S SPEECH, IN WHICH RIVIELLO

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LAMBASTED SALINAS TO HIS FACE FOR NOT SQUELCHING CRITICISMS OF THE ARMY FOR ITS ROLE IN CHIAPAS. (ZEDILLO IS ALSO FELT TO BE UNPOPULAR WITH THE RANK AND FILE DUE TO HIS ACTION AS EDUCATION SECRETARY DURING THE SALINAS ADMINISTRATION PLACING THE BLAME IN REVISED TEXTBOOKS ON THE 1968 "TLATELOLCO MASSACRE" ON THE ARMY. THIS "BLACK MARK", HOWEVER, MAY HAVE BEEN COMPENSATED FOR BY ZEDILLO'S LATER WORK AS BUDGET DIRECTOR, WHEN HE

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O 110109Z MAY 95

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 4008

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

NSC WASHDC

DIA WASHDC

SECNAV WASHDC

DEAHQS WASHDC

DIRNSA FT GEORGE G MEADE MD

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ALL USCONS MEXICO

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WHITEHOUSE WASHDC

AMEMBASSY BOGOTA

AMEMBASSY LONDON

DOD WASHDC

AMEMBASSY MADRID

USUN NEW YORK

AMEMBASSY OTTAWA

USMISSION USNATO

COGARD INTELCOORDCEN WASHDC

DOJ WASHDC

SECDEF WASHDC

AMEMBASSY TOKYO

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AMEMBASSY MOSCOW

AMEMBASSY CARACAS

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DEPARTMENT PASS USOAS

E.O. 12356: DECL:OADR

TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL, PINR, PARM, PBTS, SNAR, PINS, PHUM, SOCI, MX SUBJECT: THE MEXICAN ARMY -- STILL PASSIVE,

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MAINTAINED ARMY SPENDING LEVELS, AND BY A STINT WITH BANEJERCITO (THE ARMY'S CREDIT UNION), WHICH HE HELPED TO MODERNIZE AND PUT ON A SOUND FINANCIAL FOOTING.) CERVANTES IS FIERCELY LOYAL TO ZEDILLO BY ALL ACCOUNTS, AND IS SAID TO STRESS THIS LOYALTY REPEATEDLY TO THE RANK AND FILE.

44. AS A FURTHER ILLUSTRATION, POLOFF WAS STRUCK

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BY THE CONCLUSION OF HIS MEETING WITH PERES TOLEDO. PERES TOLEDO WAS GIVING A THOUGHTFUL ANSWER TO A QUESTION ABOUT WAYS IN WHICH THE ARMY HAD CHANGED IN THE LAST TEN YEARS. THIS LED TO A DISCUSSION OF THE NEED TO MODERNIZE MEXICAN EQUIPMENT. THEN, SUDDENLY, THE FOLLOWING THOUGHT, OUT OF NOWHERE, EXPRESSED SOTTO VOCE, WELL-REHEARSED AND IN FULL THROAT: "...BUT ONE THING WILL NEVER CHANGE. THAT IS THE MEXICAN ARMY'S TOTAL LOYALTY TO CIVILIAN CONTROL AND SEPARATION FROM POLITICS! WE WILL NEVER VENTURE BEYOND OUR CONSTITUTIONAL ROLE OF COMPLETE OBEDIENCE TO THE POLITICAL INSTITUTIONS OF THIS COUNTRY." WHETHER PERES TOLEDO WAS SPEAKING WITH AUTHORITY (PROBABLY NOT -- ONE STAR BRIGADIER GENERALS IN MEXICO COMMAND BATTALIONS, THE RESPONSIBILITY OF LIEUTENANT COLONELS IN THE U.S.) OR JUST REPEATING THE PARTY LINE, IT WAS FASCINATING THAT AN OFFICIAL REPRESENTATIVE OF THE ARMY WOULD HAVE FELT THE NEED TO EXPRESS SUCH SENTIMENTS SPONTANEOUSLY TO A U.S. DIPLOMATIC CONFIDENTIAL

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- 45. OBSERVERS SPECULATE ON ANOTHER EVENT THAT COULD CONCEIVABLY CHALLENGE THE ARMY'S LOYALTY TO CIVIL AUTHORITY REPLACING THE SECRETARY OF DEFENSE (ALWAYS A GENERAL) WITH A CIVILIAN, AN IDEA DISCUSSED EVEN IN MILITARY CIRCLES IN THE LAST YEARS OF THE SALINAS ADMINISTRATION. THE OFFICE HAS ALWAYS BEEN HELD BY A HIGH-RANKING ARMY OFFICIAL. AT TIMES, CIVILIAN LEADERS HAVE SUGGESTED THAT DEFENSE MIGHT BE HEADED BY A CIVILIAN (AS IN THE UNITED STATES) WITH A SECRETARY OF THE ARMY AND SECRETARY OF THE NAVY REPORTING TO THE DEFENSE SECRETARY.
- 46. IN MEXICO'S YOUTHFUL POLITICAL WORLD, WHERE CABINET MEMBERS ARE FREQUENTLY IN THEIR 30'S OR EARLY FORTIES, THIS WOULD MEAN LEADERSHIP OF THE ARMY'S POTENT GERONTOCRACY WITH A MAN ABOUT HALF

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O 110109Z MAY 95

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 4009

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

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AMEMBASSY PARIS

WHITEHOUSE WASHDC

AMEMBASSY BOGOTA

AMEMBASSY LONDON

DOD WASHDC

AMEMBASSY MADRID

USUN NEW YORK

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AMEMBASSY OTTAWA
USMISSION USNATO
COGARD INTELCOORDCEN WASHDC
DOJ WASHDC
SECDEF WASHDC
AMEMBASSY TOKYO
ONI SUITLAND MD//JJJ//
AMEMBASSY SANTIAGO
OSAF WASHDC//IAL//
AMEMBASSY MOSCOW
AMEMBASSY CARACAS

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DEPARTMENT PASS USOAS

E.O. 12356: DECL:OADR
TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL,
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THE AGE OF MOST GENERALS. MANY FEEL THAT A PRESIDENT WHO ATTEMPTED SUCH A "REFORM" OF THE DEFENSE STRUCTURE WITHOUT THE FULL SUPPORT OF THE ARMY'S HIERARCHY WOULD BE RISKING SOMETHING MUCH STRONGER THAN BACKDOOR MUTTERING.

COMMENT

- 47. WE PRESENT THIS PORTRAIT OF THE MEXICAN ARMY TODAY TO GIVE WASHINGTON READERS SOME INSIGHTS INTO A LARGELY CLOSED INSTITUTION. WE HOPE FOR CLOSER U.S.-GOM POLITICAL-MILITARY COOPERATION, AS WELL AS CLOSER RELATIONS BETWEEN OUR MILITARY AND THE MEXICAN ARMY. BUT WE BELIEVE WASHINGTON SHOULD KNOW WHAT WE ARE FACING WHEN WE PURSUE IMPROVED RELATIONS.
- 48. IN PARTICULAR, WE WANT READERS TO CONTINUE TO BE AWARE OF THE LACK OF ACCESSIBILITY OF ARMY OFFICIALS TO USG REPRESENTATIVES IN MEXICO,

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WHETHER CIVILIAN OR MILITARY. POLOFF'S VISITS TO THE DEFENSE MINISTRY REQUIRED THE CAREFUL INTERVENTION OF EMBASSY WHOSE OWN OFFICE MUST PERSEVERE TO OBTAIN SUCH OCCASIONAL CONTACTS AND WHICH FACES FREQUENT DISAPPOINTMENT DUE TO ARMY POLICY FROWNING ON PRACTICALLY ANY

CONTACTS, DIPLOMATIC OR SOCIAL, WITH U.S. OFFICIALS.

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49. WE ALSO WISH TO PUT THE OCCASIONAL PRESS ACCOUNTS OF POSSIBLE MILITARY INTERVENTION IN THE MEXICAN POLITICAL WORLD INTO THE PROPER PERSPECTIVE -- HIGHLY UNLIKELY, IN OUR OPINION, BUT DIFFICULT TO KNOW FOR SURE, AGAIN BECAUSE OF THE CLOSED NATURE OF THE INSTITUTION.

THE THREE MAIN INSTRUMENTS THAT WE SEE IN THE SHORT TERM THAT COULD HELP BUILD CIVILIAN/MILITARY. RELATIONS WITHIN THE GOM AND OPEN THE DOOR TO MORE U.S./MEXICO MILITARY-TO-MILITARY CONTACTS ARE: (1) A MORE FLEXIBLE POLICY ON MILITARY SALES TO MEXICO IN THE WAKE OF REDUCED TENSIONS IN CHIAPAS AND IMPROVED MILITARY HUMAN RIGHTS BEHAVIOR; (2) THE INITIATION OF POLITICAL/MILITARY TALKS WITH MEXICO PROPOSED SEPTEL; AND (3) THE PARTICIPATION OF MEXICO IN THE JULY 22-24 DEFENSE MINISTERIAL OF THE AMERICAS TO BE HELD IN WILLIAMSBURG, VIRGINIA.

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	INR-00	IO-10	L-01	MCO-01	ADS-00	MMP-00	M-00
	OIC-02	OIG-04	OMB-01	PA-01	PM-00	PRS-01	P-01
	SP-00	SSO-00	SS-00	TRSE-00	T-00	USIE-00	DTC-01
	FMP-00	SNIS-00	NISC-01	SSD-01	PMB-00	DRL-09	G-00

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O 110109Z MAY 95

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 4010

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

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AMEMBASSY MADRID

USUN NEW YORK

AMEMBASSY OTTAWA

USMISSION USNATO

COGARD INTELCOORDCEN WASHDC

DOJ WASHDC

SECDEF WASHDC

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SUBJECT: THE MEXICAN ARMY -- STILL PASSIVE,
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TO REACH THESE GOALS, WE WILL NEED TO DEAL WITH THE TRADITIONAL MEXICAN POLICY OF NON-INTERVENTION WHICH MAKES FOREIGN MINISTRY AND MILITARY ESTABLISHMENT ALIKE OPPOSED AT THIS TIME TO ANY FORM OF JOINT HEMISPHERIC DEFENSE FORCE OR OTHER MULTILATERAL HEMISPHERIC MILITARY INSTITUTION; WE MUST RECOGNIZE THAT, ON THESE ISSUES, THE MEXICAN MILITARY REMAINS AN EXTREMELY CONSERVATIVE INSTITUTION WHICH LOOKS SKEPTICALLY ON ISSUES OF INTERNATIONAL COOPERATION. HOWEVER, WE REMAIN OPTIMISTIC OF THE POSSIBILITIES OF SUCCESS IN PERSUADING OUR MEXICAN MILITARY (AND CIVILIAN) COUNTERPARTS OF THE WISDOM OF CLOSER CONTACTS WITH THE U.S. BILATERALLY AND OTHER HEMISPHERIC PARTNERS IN MULTINATIONAL FORA. COMMENT.

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C O N F I D E N T I A L SECTION 01 OF 17 MEXICO 010043

DEPARTMENT PASS USOAS

E.O. 12356: DECL:OADR

TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL,
PINR, PARM, PBTS, SNAR, PINS, PHUM, SOCI, MX
SUBJECT: THE MEXICAN ARMY -- STILL PASSIVE,
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- CONFIDENTIAL ENTIRE TEXT.
- 2. THIS REPORT PARTIALLY FULFILLS POST REPORTING PLAN FOR 1995.
- 3. SUMMARY. IN THE FACE OF A TURBULENT MEXICAN POLITICAL AND ECONOMIC SITUATION, THE MEXICAN MILITARY REMAINS BY AND LARGE ISOLATED FROM THE CURRENTS OF CRISIS EDDYING AROUND THE GOVERNMENT, (ALTHOUGH THE CRISIS HAS AFFECTED BOTH MILITARY BUDGETS AND THE FINANCIAL LIVES OF MILITARY OFFICERS MARKEDLY.) WHILE FAR MORE AWARE THAN IN THE PAST OF THE NEED TO STRENGTHEN ITS PUBLIC IMAGE (PARTICULARLY WITH ALL PARTS OF THE MEXICAN GOVERNMENT COMPETING FOR SCARCE FINANCIAL RESOURCES), THE MEXICAN MILITARY REMAINS A WORLD LARGELY SEPARATE FROM THE REST OF MEXICO.
- 4. THE MILITARY HAS BEEN SOMEWHAT AFFECTED, HOWEVER, BY THE SITUATION IN CHIAPAS, WHERE IT WAS

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ACCUSED OF "ILLEGAL INTERVENTION" IN THE EARLY STAGES OF THE CONFLICT, AND LATER CHARGED WITH HUMAN RIGHTS ABUSES. IT HAS SINCE BECOME SOMEWHAT MORE SENSITIVE TO HUMAN RIGHTS ISSUES.

5. WE ARE HIGHLY DUBIOUS OF U.S. AND MEXICAN PRESS STORIES THAT OCCASIONALLY APPEAR SUGGESTING THE POSSIBILITY OF SOME FORM OF ARMY INTERVENTION IN THE MEXICAN GOVERNMENT IF ECONOMIC OR POLITICAL CONFIDENTIAL

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CONDITIONS SHOULD GREATLY DETERIORATE. WE ARE
DUBIOUS OF THESE ACCOUNTS (WHICH ALSO SOMETIMES
EMANATE FROM MEXICAN AND WALL STREET INVESTORS AND
OTHERS SPEAKING PUBLICLY) NOT ONLY BECAUSE THEY
CONTRADICT WHAT SEEMS TO US TO BE THE ARMY'S
CONTINUING COMMITMENT TO NON-INTERVENTION IN
NATIONAL POLITICS, BUT ALSO BECAUSE IT IS
DIFFICULT TO IMAGINE JOURNALISTS OF ANY KIND,
MEXICAN OR FOREIGN, GETTING CLOSE TO AN
AUTHORITATIVE SOURCE (OR EVEN A RELIABLE LEAK) IN
AN INSTITUTION SO HERMETICALLY SEALED AND
PARANOIACALLY ANTI-PRESS AS THE MEXICAN ARMY.

6. THE THREE MAIN INSTRUMENTS THAT WE SEE IN THE SHORT TERM THAT COULD HELP BUILD CIVILIAN/MILITARY RELATIONS WITHIN THE GOM AND OPEN THE DOOR TO MORE U.S./MEXICO MILITARY-TO-MILITARY CONTACTS ARE: (1) A MORE FLEXIBLE POLICY ON MILITARY SALES TO MEXICO IN THE WAKE OF REDUCED TENSIONS IN CHIAPAS AND

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IMPROVED MILITARY HUMAN RIGHTS BEHAVIOR; (2) THE INITIATION OF POLITICAL/MILITARY TALKS WITH MEXICO PROPOSED SEPTEL; AND (3) THE PARTICIPATION OF MEXICO IN THE JULY 22-24 DEFENSE MINISTERIAL OF THE AMERICAS TO BE HELD IN WILLIAMSBURG, VIRGINIA.

7. TO REACH THESE GOALS, WE WILL NEED TO DEAL WITH THE TRADITIONAL MEXICAN POLICY OF NON-INTERVENTION WHICH MAKES FOREIGN MINISTRY AND MILITARY ESTABLISHMENT ALIKE OPPOSED AT THIS TIME TO ANY FORM OF JOINT HEMISPHERIC DEFENSE FORCE OR OTHER MULTILATERAL HEMISPHERIC MILITARY INSTITUTION; WE MUST RECOGNIZE THAT, ON THESE ISSUES, THE MEXICAN MILITARY REMAINS AN EXTREMELY CONSERVATIVE INSTITUTION WHICH LOOKS SKEPTICALLY ON ISSUES OF INTERNATIONAL COOPERATION. HOWEVER, WE REMAIN OPTIMISTIC OF THE POSSIBILITIES OF SUCCESS IN PERSUADING OUR MEXICAN MILITARY (AND CIVILIAN) COUNTERPARTS OF THE WISDOM OF CLOSER CONTACTS WITH THE U.S. BILATERALLY AND OTHER HEMISPHERIC PARTNERS IN MULTINATIONAL FORA. END SUMMARY.

A STABLE INSTITUTION

8. THE SALIENT FACT ABOUT THE STRUCTURE OF THE MEXICAN ARMY IS ITS REMARKABLE STABILITY AND CONFIDENTIAL

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CONTINUITY OVER THE YEARS. SINCE THE POST-REVOLUTIONARY PERIOD, ESPECIALLY THE PRESIDENTIAL "SEXENIO" OF PRESIDENT AND GENERAL LAZARO CARDENAS, 1934-40, THE ARMY HAS REMAINED OUT OF POLITICS, CLOSED IN STRUCTURE, WELL-FED, DEVOTED TO DOMESTIC SOCIAL ACTIVITIES THAT HAVE LITTLE IN COMMON WITH THE ROLE THE ARMY PLAYS IN MANY OTHER COUNTRIES, YET ISOLATED FROM THE MAINSTREAM OF SOCIETY AND ITS VIEWS. WITH A TOTAL STRENGTH OF ABOUT 120,000 SOLDIERS OUT OF A TOTAL MEXICAN POPULATION OF ABOUT 92 MILLION (ESTIMATED 1994), MEXICO'S TROOP TO CIVILIAN POPULATION RATIO, WHICH HAS NOT CHANGED FOR MANY YEARS (AND WHICH NO ONE PROPOSES TO CHANGE) IS ONE OF THE LOWEST IN THE WORLD.

9. SIMILARLY, ITS ANNUAL BUDGET CONSISTENTLY COMES IN AT ABOUT .2 OF 1 PER CENT OF THE TOTAL BUDGET OF THE GOVERNMENT OF MEXICO, TINY COMPARED

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	OIC-02	OIG-04	OMB-01	PA-01	PM-00	PRS-01	P-01
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C O N F I D E N T I A L SECTION 03 OF 17 MEXICO 010043

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ISOLATED, AND ABOVE THE FRAY?

TO MOST INDUSTRIALIZED COUNTRIES (OR MANY LATIN AMERICAN COUNTRIES.) THIS RATIO, TOO, HAS REMAINED FIXED IN PRACTICE WITHIN RECENT MEMORY AND DOES NOT SEEM LIKELY TO CHANGE, ALTHOUGH THE RECENT FINANCIAL CRISIS MAY FORCE THE PROPORTION TO GROW STILL SMALLER. MAKING THE ARMY'S RESOURCES EVEN SCARCER IS THE FACT THAT, DUE TO ITS FORCED ISOLATION FROM THE REST OF THE GOVERNMENT, IT MUST PAY CASH FOR MANY GOODS AND SERVICES WHICH IT PURCHASES FROM CIVILIAN SECTORS OF THE GOVERNMENT OF MEXICO.

10. THIS SMALL, FIXED BUDGET HAS MADE PROGRESS IN MANY AREAS DIFFICULT, ESPECIALLY THE MODERNIZATION OF EQUIPMENT WHICH IS SO SORELY NEEDED. THE OUTBREAK OF HOSTILITIES IN CHIAPAS IN 1994 BECAME THE OPPORTUNITY FOR MUCH-NEEDED MODERNIZATION, AS SALINAS' GOVERNMENT FOUND DISCRETIONARY FUNDS TO BE USED ON EQUIPMENT PURCHASES FROM MANY COUNTRIES -- FRENCH LIGHT ARMORED VEHICLES (FROM BELGIUM), MERCEDES BENZ WATER CANNONS FROM GERMANY, ANTI-MINE TRAINING FROM THE U.K. (THE NAVY PURCHASED RUSSIAN HELICOPTERS DURING THE SAME PERIOD.) THE U.S. INABILITY TO FULFILL CERTAIN MEXICAN EQUIPMENT PURCHASE AND TRAINING REQUESTS DURING THIS PERIOD DUE TO CONCERNS OVER WHETHER THE EQUIPMENT WOULD BE USED IN CHIAPAS, IS AN INABILITY WHICH OUR MEXICAN MILITARY INTERLOCUTORS CONTINUE TO LOSE NO OPPORTUNITY TO REMIND US THAT CONFIDENTIAL

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ALL DECISIONS ARE MADE AT THE TOP

11. THE KEY TO UNDERSTANDING DECISIONMAKING IN THIS ISOLATED, SELF-ABSORBED INSTITUTION IS TO KNOW THAT IT IS CENTRALIZED TO WHAT SEEMS A MANIC DEGREE EVEN COMPARED TO THE WORLD OF OBEDIENCE AND DISCIPLINE WHICH IS THE MILITARY IN MOST COUNTRIES. EVEN THE SMALLEST DECISIONS MUST BE MADE AT THE VERY TOP OF THE HIERARCHY. ONCE

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ISSUED, DECISIONS ARE NOT DEVIATED FROM UNLESS THERE IS A NEW HIGH-LEVEL DECISION.

12. FOR EXAMPLE, U.S. MILITARY OFFICIALS LAST YEAR HAD BEEN PLANNING FOR A JOINT ANNUAL PARACHUTE JUMP WITH THE MEXICAN ARMY. WHEN THE

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C O N F I D E N T I A L SECTION 04 OF 17 MEXICO 010043

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TIME CAME FOR JUMPING FROM MEXICAN PLANES, THAT SIDE OF THE JUMP WAS CANCELLED. WHY? BECAUSE THE ORDER ALLOWING THE JUMP HAD SPECIFIED THAT IT WAS TO TAKE PLACE FROM AN ARAVA PLANE, AND AT THE MOMENT NONE OF MEXICO'S ARAVA PLANES WERE AVAILABLE. NO OTHER TYPE OF AIRCRAFT COULD BE SUBSTITUTED SINCE ONLY THE ARAVA HAD BEEN SPECIFIED IN THE ORDER.

THE BASIC MISSIONS OF THE MEXICAN ARMY

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13. THE MEXICAN ARMY HAS LONG SET AS ITS BASIC MISSIONS THE FOLLOWING: (1) EXTERNAL SECURITY. (2) INTERNAL SECURITY. (3) CIVIC AFFAIRS. (4) COUNTERNARCOTICS. ALTHOUGH ARMY OFFICIALS INSIST THAT THIS ORDERING REFLECTS ITS ACTUAL PRIORITIES, THE REALITY IS THAT BOTH ECONOMIC AND HUMAN RESOURCES TEND TO REFLECT THE PRIORITIES IN PRECISELY THE REVERSE ORDER. THAT IS, COUNTERNARCOTICS TENDS TO BE THE ARMY'S MAJOR ACTIVITY. CIVIL AFFAIRS ARE ALMOST AS IMPORTANT. INTERNAL SECURITY COMES NEXT, WHILE EXTERNAL SECURITY, IN THIS COUNTRY WHICH FACES LITTLE CONCEIVABLE OUTSIDE MILITARY THREAT, TAKES UP RELATIVELY FEW RESOURCES. (WHILE WE WOULD CLASS THE CHIAPAS INSURGENCY AS PRIMARILY AN INTERNAL SECURITY THREAT, THE ARMY DEFINES IT AS PRIMARILY CONFIDENTIAL

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MEXICO 10043 04 OF 17 110113Z PAGE 04 AN EXTERNAL THREAT. IN ITS VIEW, THE CHIAPAS REBELS ARE ARMED AND DIRECTED BY OUTSIDERS.) WHILE WE DISCUSS THE ARMY'S RESPONSE TO THE MAIN INTERNAL AND "EXTERNAL" THREAT (THE REBELS IN CHIAPAS) ELSEWHERE, IT IS WORTH SAYING A FEW WORDS ABOUT COUNTERNARCOTICS AND CIVIL AFFAIRS.

COUNTERNARCOTICS:

 IN OUR VIEW, THIS IS THE MOST PREOCCUPYING, PERMANENT TASK OF THE MEXICAN MILITARY. MILITARY COUNTERNARCOTICS EFFORTS ARE CENTERED ALMOST EXCLUSIVELY ON MANUAL ERADICATION (PULLING AND CUTTING COCA AND MARIJUANA CROPS BY HAND.) IT IS A TASK WHICH THE ARMY IS SAID NOT TO RELISH, BOTH BECAUSE OF THE CONNOTATIONS OF DEGRADING MANUAL LABOR WHICH THE TASK ENTAILS, AND BECAUSE INVOLVEMENT IN COUNTERNARCOTICS ALWAYS CARRIES

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WITH IT THE RISK OF COMPROMISE BY NARCOTRAFFICKERS.

- 15. MANY OUTSIDE OBSERVERS HAVE SUGGESTED THAT THE EVENTS IN CHIAPAS HAVE FORCED THE ARMY TO DECREASE ITS ATTENTION TO COUNTERNARCOTICS. BUT IN THEIR CONVERSATIONS WITH POLOFF, PREVIOUS ARMY CHIEF OF INTELLIGENCE GENERAL PERES TOLEDO AND FOREIGN LIAISON OFFICER TO ACCREDITED MILITARY ATTACHES LTC. ACATA PANIAGUA ROUNDLY REBUTTED THIS PRESUMPTION, WITHOUT CITING ANY EVIDENCE TO BACK UP THEIR REBUTTAL. EMBASSY ANALYSIS IS THAT RESOURCES AND OPERATIONS HAVE BEEN REDUCED, BUT STATISTICAL RESULTS HAVE IMPROVED DUE TO THE ARMY'S MORE EFFICIENT PLANNING AND OPERATIONS.
- 16. WE HAVE HEARD THAT SOME SENIOR OFFICERS HAVE COMPLAINED TO PRESIDENT ZEDILLO ABOUT THE NEGATIVE EFFECT THEIR ROLE IN COUNTERNARCOTICS HAS ON THE ARMY AS AN INSTITUTION. SOME SENIOR OFFICIALS BELIEVE THAT IT DISTRACTS THEM FROM THEIR REAL MISSION. SECRETARY OF THE ARMY CERVANTES, HOWEVER, HAS ADVOCATED AN INTENSIFICATION OF THE ARMY'S COUNTERNARCOTICS EFFORTS, AND IS EVEN SAID TO HAVE ADVISED MILITARY COMMANDERS IN AND AROUND

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CHIAPAS (OBVIOUSLY OCCUPIED WITH OTHER MATTERS) NOT TO LET SUCH EFFORTS SLACKEN.

CIVIC ACTION: _____

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17. PRIMARILY, CIVIC ACTION ("LABOR SOCIAL") CONCERNS SOCIAL WELFARE VISITS TO POOR, RURAL COMMUNITIES. THE ARMY ALSO PERFORMS A HIGHLY REPUTED DISASTER RELIEF FUNCTION.

18. SOCIAL WELFARE VISITS, HOWEVER, STRIKE US AS A MEXICAN PHENOMENON. TYPICALLY, A 200 PERSON UNIT WILL VISIT A DEPRESSED, RURAL TOWN FOR A WEEK WITH DOCTORS (ARMY DOCTORS ARE CONSIDERED BY MANY THE BEST IN MEXICO), DENTISTS, MASONS, ELECTRICIANS, ENGINEERS, AND BARBERS. A NURSING STAFF ALSO USUALLY ACCOMPANIES. THE MEDICAL TEAM TAKES APPOINTMENTS FROM ALL TOWNSPEOPLE WHO DESIRE THEIR SERVICES (BARBERS BEING AN IMPORTANT PART OF THE MEDICAL TEAM IN A COUNTRY WHERE SCALP DISEASES AND PARASITES RUN RAMPANT AMONG MANY OF THE RURAL POOR), PROVIDING SCREENINGS AND MEDICINES. ALL IS FREE OF CHARGE. THE MASONS, ELECTRICIANS AND

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	INR-00	IO-10	L-01	MCO-01	ADS-00	MMP-00	M-00
	OIC-02	OIG-04	OMB-01	PA-01	PM-00	PRS-01	P-01
	SP-00	SSO-00	SS-00	TRSE-00	T-00	USIE-00	DTC-01
	FMP-00 /059W	SNIS-00	NISC-01	SSD-01	PMB-00	DRL-09	G-00

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O 110109Z MAY 95 FM AMEMBASSY MEXICO

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TO SECSTATE WASHDC IMMEDIATE 3999

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

NSC WASHDC

DIA WASHDC

SECNAV WASHDC

DEAHQS WASHDC

DIRNSA FT GEORGE G MEADE MD

CIA WASHDC

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CMC WASHDC//CMC//

CINCFORSCOM FT MCPHERSON GA//FCJ2//

JCS WASHDC//J2//

ALL USCONS MEXICO

AMEMBASSY PARIS

WHITEHOUSE WASHDC

AMEMBASSY BOGOTA

AMEMBASSY LONDON

DOD WASHDC

AMEMBASSY MADRID

USUN NEW YORK

AMEMBASSY OTTAWA

USMISSION USNATO

COGARD INTELCOORDCEN WASHDC

DOJ WASHDC

SECDEF WASHDC

AMEMBASSY TOKYO

ONI SUITLAND MD//JJJ//

AMEMBASSY SANTIAGO

OSAF WASHDC//IAL//

AMEMBASSY MOSCOW

AMEMBASSY CARACAS

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DEPARTMENT PASS USOAS

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E.O. 12356; DECL:OADR

TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL, PINR, PARM, PBTS, SNAR, PINS, PHUM, SOCI, MX SUBJECT: THE MEXICAN ARMY -- STILL PASSIVE, CONFIDENTIAL

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ENGINEERS REPAIR BROKEN SCHOOL WALLS, DRILL WELLS, BUILD MODERN TOILETS FOR EDUCATIONAL AND OTHER PUBLIC FACILITIES, REPAIR BROKEN ELECTRICAL EQUIPMENT, AND LAY SIDEWALKS. PUPPET SHOWS ARE PROVIDED FOR CHILDREN TO INFORM THEM ABOUT GOOD HYGIENE PRACTICES. FAMILY PLANNING ADVICE IS DISPENSED OFTEN PUTTING THE MILITARY AT ODDS WITH LOCAL CHURCH OFFICIALS.

19. THESE MILITARY VISITS, THOUGH THEY SELDOM RECEIVE MUCH PUBLICITY IN THE NATIONAL PRESS, ARE A MUCH DESIRED INSTITUTION IN POOR AND RURAL AREAS. THE ARMY DIVIDES MEXICO INTO 38 MILITARY ZONES: ABOUT TWO SUCH VISITS PER MONTH TAKE PLACE IN EACH ZONE. THIS NUMBER IS NOT FIXED: SINCE THE FIRST OF THE YEAR, THE CIVIC ACTION BATTALION OF THE MILITARY REGION OF CHIAPAS HAS MADE THIS A PERMANENT ACTIVITY THERE, FOR EXAMPLE.

IXED FOR LIFE: CAREER OFFICERS CONFORM AND PROSPER

20. THE ARMY IS A WAY OF LIFE FOR THE TYPICAL CAREER OFFICER. RETIREMENT AGES ARE EASILY CIRCUMVENTED FOR MOST. ALTHOUGH THE PREVIOUS SECRETARY OF DEFENSE, RIVIELLO, REPRESENTED AN EXTREME (HE HAD JOINED THE ARMY AT AGE 15 AND HAS NOW SPENT 61 YEARS IN MILITARY SERVICE), IT IS NOT AT ALL UNUSUAL TO FIND OFFICERS WITH 40 OR 50 CONFIDENTIAL

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PAGE 04 MEXICO 10043 06 OF 17 110113Z YEARS OF TOTAL SERVICE. IN A COUNTRY WHERE MOST GOVERNMENT ORGANIZATIONS, SUCH AS CABINET-LEVEL MINISTRIES, ARE LED BY MEN AND WOMEN IN THEIR EARLY FORTIES, OR EVEN THIRTIES, THE ARMY IS

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(RELATIVELY, AND BY YOUTHFUL MEXICAN STANDARDS) A GERONTOCRACY, WHERE MOST LEADERS ARE IN THEIR FIFTIES OR SIXTIES.

21. THE MOST IMPORTANT "TICKET TO PUNCH" IN ADVANCING IN THE MEXICAN MILITARY IS TO BE ACCEPTED INTO THE COMMAND AND STAFF COLLEGE. EVERY YEAR, OVER 1,000 OFFICERS APPLY. 600 ARE ALLOWED TO TAKE THE TEST, AND OF THESE, 110 ARE ACCEPTED. THOSE ACCEPTED FACE THREE GRUELING YEARS OF GRINDING PEDAGOGY AND INTENSE COMPETITION, WHICH NARROWS THEIR NUMBER TO 35 A YEAR.

22. ONCE HAVING OBTAINED A DIPLOMA (BECOMING A

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-----C45731 110114Z /38 O 110109Z MAY 95 FM AMEMBASSY MEXICO TO SECSTATE WASHDC IMMEDIATE 4000 AMEMBASSY GUATEMALA AMEMBASSY ROME AMEMBASSY BRASILIA DIRFBI WASHDC FAA WASHDC AMEMBASSY BUENOS AIRES AMEMBASSY BELIZE CINCUSACOM NORFOLK VA USSOUTHCOM QUARRY HTS PM CJCS WASHDC AMEMBASSY SAN SALVADOR NSC WASHDC DIA WASHDC

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SECNAV WASHDC
DEAHQS WASHDC
DIRNSA FT GEORGE G MEADE MD
CIA WASHDC

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PAGE 02 MEXICO . 10043 07 OF 17 110114Z CMC WASHDC//CMC// CINCFORSCOM FT MCPHERSON GA//FCJ2// JCS WASHDC//J2// ALL USCONS MEXICO AMEMBASSY PARIS WHITEHOUSE WASHDC AMEMBASSY BOGOTA AMEMBASSY LONDON DOD WASHDC AMEMBASSY MADRID USUN NEW YORK AMEMBASSY OTTAWA USMISSION USNATO COGARD INTELCOORDCEN WASHDC DOJ WASHDC SECDEF WASHDC AMEMBASSY TOKYO ONI SUITLAND MD//JJJ// AMEMBASSY SANTIAGO OSAF WASHDC//IAL// AMEMBASSY MOSCOW AMEMBASSY CARACAS

C O N F I D E N T I A L SECTION 07 OF 17 MEXICO 010043

DEPARTMENT PASS USOAS

E.O. 12356: DECL:OADR
TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL,
PINR, PARM, PBTS, SNAR, PINS, PHUM, SOCI, MX
SUBJECT: THE MEXICAN ARMY -- STILL PASSIVE,
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"DIPLOMADO"), AN OFFICER IS FIXED FOR LIFE (ALTHOUGH STILL SUBJECT TO THE SHIFTING WINDS OF

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THE MEXICAN ECONOMY, WHICH HAS CAUSED FINANCIAL PRESSURE EVEN TO THE "DIPLOMADOS.") HE BECOMES ONE OF THE TINY ELITE IN THE MEXICAN ARMY WITH A COLLEGE DEGREE. (THE PREVIOUS CADET TRAINING WHICH OFFICERS RECEIVE IS HIGH SCHOOL LEVEL; ELSEWHERE IN THE MILITARY, ONLY MILITARY DOCTORS AND MILITARY ENGINEERS ROUTINELY POSSESS COLLEGE DEGREES.) FOR THE "DIPLOMADOS," SALARIES INCREASE BY 50 PER CENT, PLUS COST OF LIVING ALLOWANCES, HOUSING, AND NUMEROUS OTHER ALLOWANCES WHICH ALLOW SOME OFFICERS TO LEGALLY EARN THREE TIMES THEIR BASE SALARY.

23. ISOLATED FROM THE OUTSIDE WORLD, THESE TOP OFFICERS TEND TO THINK ALIKE, BEHAVE ALIKE. THEY ARE CONSERVATIVE IN THEIR POLITICS (BUT WITH MANY MORE TIES TO THE RULING PARTY OF THE INSTITUTIONAL REVOLUTION (PRI) THAN TO THE CONSERVATIVE OPPOSITION NATIONAL ACTION PARTY (PAN.) (THOUGH IT MAY SEEM ODD TO THE OUTSIDE OBSERVER, TIES TO THEN-BREAKAWAY EX-PRI LEADER CUAUHTEMOC CARDENAS IN HIS 1988 PRESIDENTIAL BID LED AN ASTOUNDING NUMBER OF THE RANK AND FILE TO WORK FOR HIS CAMPAIGN. THIS IS ATTRIBUTED, IN PART AT LEAST, TO CARDENAS' FATHER, A GENERAL WHO WAS MUCH LOVED BY THE ARMY.)

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MEXICO 10043 07 OF 17 THEY RARELY HAVE AMBITIONS, POST-CAREER OR OTHERWISE, BEYOND CAREER ADVANCEMENT IN THE SERVICE, ALTHOUGH A FEW RETIRED MILITARY FIGURES GO ON TO BECOME FEDERAL SENATORS, DEPUTIES, AND, OCCASIONALLY, GOVERNORS OF STATES. MORE THAN THE MEXICAN POLITY OVERALL, THEY ARE SUSPICIOUS OF THE U.S. AND ITS MOTIVES, THOUGH WARM AND FRIENDLY WITH INDIVIDUAL AMERICANS, INCLUDING USG OFFICIALS. THEY ARE STRIKINGLY SECULAR - THE LONG-STANDING LACK OF WARMTH BETWEEN THE GOVERNMENT OF MEXICO AND THE CATHOLIC CHURCH RUNS PARTICULARLY STRONG AMONG MILITARY OFFICIALS, WHOSE OFFICIAL TRAINING INCULCATES THOSE WHO DID NOT ALREADY POSSESS THEM WITH A STRONGLY SECULAR (MANY SAY ANTI-CATHOLIC CHURCH) ORIENTATION. GENERAL MANUEL AVILA CAMACHO, MEXICO'S LAST MILITARY PRESIDENT, USHERED IN AN ERA OF GOOD

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FEELINGS BETWEEN THE GOVERNMENT AND THE CHURCH WHEN HE PUBLICLY ANNOUNCED THAT HE WAS A BELIEVER

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-----C45734 110114Z /38

O 110109Z MAY 95

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 4001

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

NSC WASHDC

DIA WASHDC

SECNAV WASHDC

DEAHOS WASHDC

DIRNSA FT GEORGE G MEADE MD

CIA WASHDC

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AMEMBASSY PARIS WHITEHOUSE WASHDC AMEMBASSY BOGOTA AMEMBASSY LONDON DOD WASHDC AMEMBASSY MADRID USUN NEW YORK AMEMBASSY OTTAWA USMISSION USNATO COGARD INTELCOORDCEN WASHDC DOJ WASHDC SECDEF WASHDC AMEMBASSY TOKYO ONI SUITLAND MD//JJJ// AMEMBASSY SANTIAGO OSAF WASHDC//IAL// AMEMBASSY MOSCOW AMEMBASSY CARACAS

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DEPARTMENT PASS USOAS

E.O. 12356: DECL:OADR
TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL,
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AND OPTED NOT TO ENFORCE MANY OF THE CONSTITUTION'S MOST HATED ANTI-CATHOLIC PROVISIONS.

ANTAGONISTIC TO THE PGR, CONDESCENDING TO THE NAVY

RELATIONS WITH THE NAVY:

25. THERE ARE TWO "MILITARY" MEMBERS OF THE MEXICAN CABINET, THE SECRETARY OF DEFENSE AND THE SECRETARY OF THE NAVY. IN MEXICO, "DEFENSE" MEANS ONLY THE ARMY, INCLUDING THE AIR FORCE, WHILE "NAVY" MEANS NAVY AND ITS NAVAL INFANTRY

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COMPARABLE TO OUR MARINE CORPS. THE TWO BRANCHES ARE HELD TO BE CO-EQUAL, AND NEITHER IS SUPPOSED TO HAVE A DOMINANT POSITION OVER THE OTHER.

IN REALITY, THE ARMY, BEING LARGER AND MORE POWERFUL THAN THE NAVY, TENDS TO ASSUME A MORE POWERFUL POSITION. SOME OBSERVERS CLAIM TO SEE SUBTLE DIFFERENCES IN TREATMENT AND POSITIONING DURING OFFICIAL MILITARY CEREMONIES WITH THE PRESIDENT. JOINT MANEUVERS ARE FEW, ALTHOUGH THE TWO BRANCHES ARE NOW COOPERATING SOMEWHAT IN OPERATIONS IN CHIAPAS.

RELATIONS WITH THE PGR:

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27. STILL, RELATIONS BETWEEN THE ARMY AND NAVY ARE WARM AND CORDIAL (OR AT LEAST PROPER AND CORRECT) COMPARED TO THOSE BETWEEN THE ARMY AND THE ATTORNEY GENERAL'S OFFICE (PGR, WHICH OVERSEES THE JUDICIAL POLICE, PJF. THE ARMY VIEW, SHARED BY MANY, IS THAT THE PJF IS CORRUPT, UNPROFESSIONAL, AND INEFFECTIVE, WHILE THE ARMY IS INCORRUPTIBLE. NEEDLESS TO SAY, NON-MILITARY OBSERVERS DO NOT SHARE THIS VIEW OF THE ARMY'S INCORRUPTIBILITY.

PANIAGUA PUT MATTERS INTO CLEARCUT ARMY PERSPECTIVE IN HIS CONVERSATION WITH POLOFF: "IF YOU WANT TO SEE THE DIFFERENCE, JUST LOOK AT THE EXPENSIVE HOMES PGR OFFICIALS LIVE IN, THE CARS THEY DRIVE, THE WATCHES THEY WEAR. HOW CAN THEY AFFORD SUCH LUXURY ON A GOVERNMENT SALARY? HOW

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OIC-02	OIG-04	OMB-01	PA-01	PM-00	PRS-01	P-01
SP-00	SSO-00	SS-00	TRSE-00	T-00	USIE-00	DTC-01
FMP-00	SNIS-00	NISC-01	SSD-01	PMB-00	DRL-09	G-00
FMP-00 /059W	SNIS-00	NISC-01	SSD-01	PMB-00	DRL-09	G-00

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O 110109Z MAY 95

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 4002

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BÚENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

NSC WASHDC

DIA WASHDC

SECNAV WASHDC

DEAHOS WASHDC

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CIA WASHDC

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CINCFORSCOM FT MCPHERSON GA//FCJ2//

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ALL USCONS MEXICO

AMEMBASSY PARIS

WHITEHOUSE WASHDC

AMEMBASSY BOGOTA

AMEMBASSY LONDON

DOD WASHDC

AMEMBASSY MADRID

USUN NEW YORK

AMEMBASSY, OTTAWA

USMISSION USNATO

COGARD INTELCOORDCEN WASHDC

DOJ WASHDC

SECDEF WASHDC

AMEMBASSY TOKYO

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ONI SUITLAND MD//JJJ//
AMEMBASSY SANTIAGO
OSAF WASHDC//IAL//
AMEMBASSY MOSCOW
AMEMBASSY CARACAS

C O N F I D E N T I A L SECTION 09 OF 17 MEXICO 010043

DEPARTMENT PASS USOAS

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TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL,
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DID (FORMER DEPUTY ATTORNEY GENERAL) RUIZ MASSIEU, (DETAINED AT NEWARK AIRPORT WITH LARGE QUANTITIES OF UNDECLARED CASH) MAKE EIGHTEEN MILLION US DOLLARS IN JUST TEN MONTHS AT THE PGR? THEN LOOK AT WHERE ARMY GENERALS LIVE, THE CARS THEY DRIVE, THE HUMBLE WATCHES THEY WEAR. WHO IS CORRUPT? SEE FOR YOURSELF!" (COMMENT: WE NOTE THAT HIGH RANKING MEXICAN MILITARY OFFICERS ARE FELT BY MOST OBSERVERS TO LIVE LIVES OF PLEASANT MATERIAL COMFORT, DESPITE PANIAGUA'S PLAINTIVE CRY. END COMMENT.)

29. THIS INTER-GOVERNMENTAL HOSTILITY CAME TO THE BOILING POINT AFTER THE NOVEMBER 1991 "LA VIBORA" INCIDENT IN THE STATE OF VERACRUZ, IN WHICH ARMY OFFICERS WERE SUSPECTED OF HAVING COOPERATED WITH NARCOTRAFFICKERS FLYING IN A SHIPMENT OF DRUGS WHILE 7 PGR OFFICIALS WHO CAME ON THE SCENE WERE SHOT AND KILLED. THE ARMY, USED TO BEING PORTRAYED, AND PORTRAYING ITSELF, AS UNCORRUPTIBLE, REMAINS ETREMELY SENSITIVE ABOUT THE INCIDENT. FOR EXAMPL, MEXICAN DAILY "LA JORNADA," WHICH COVERED THE TORY, STILL IS NOT ALOWED AT MILITARY PRESS BRIFINGS FOUR YEARS LATER, ACCORDING TO DAVID APONT, THE RESPECTED "JORNADA" JOURNALIST WHO THEN COERED MILITARY AFFAIRS. TWO MILITRY OFFICERS WHO WERE TRIED AND CONVICTED IN THE MATTER WERE SUBSEQUENTLY

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PAGE 04 MEXICO 10043 09 OF 17 110114Z PUBLISHED LAST WINTER TRIED TO TURN THE TABLES ON THE PGR AND EXONERATE THE ARMY.

THIS SIMMERING HOSTILITY HAS PLAYED OUT IN THE ARREST WARRANTS ISSUED AGAINST EZLN "SUBCOMMANDANTE" MARCOS BY THE PGR IN FEBRUARY. TO PURSUE THE WARRANTS, THE PGR SET UP CHECKPOINTS IN AREAS OUTSIDE THE "INNER" AREAS WHERE THE ARMY HAD NOT ALREADY SET UP CHECKPOINTS. WE HAVE RARELY SEEN JOINT ARMY/PGR CHECKPOINTS, OR EVEN SEEN ARMY AND PJF PERSONNEL TOGETHER, EXCEPT WHEN LOCAL OFFICIALS WERE ALSO PRESENT, ALTHOUGH WHEN DATT VISITED GUADALUPE TEPEYAC EARLIER THIS YEAR, HE NOTICED THAT A PGR MEMBER ACCOMPANIED THE ARMY COLUMN. WE HAVE SEEN OTHER EVIDENCE OF SUCH NOMINAL COOPERATION, AS WELL. ALTHOUGH PGR OFFICIALS (SUCH AS ACTING COMMANDER OF THE PJF ENRIQUE GANDARA) HAVE BEEN AT PAINS TO STRESS TO POLOFF THE LACK OF INCIDENTS BETWEEN THE ARMY AND

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DIRFBI WASHDC
FAA WASHDC
AMEMBASSY BUENOS AIRES
AMEMBASSY BELIZE
CINCUSACOM NORFOLK VA
USSOUTHCOM QUARRY HTS PM
CJCS WASHDC
AMEMBASSY SAN SALVADOR
NSC WASHDC
DIA WASHDC
SECNAV WASHDC
DEAHQS WASHDC
DIRNSA FT GEORGE G MEADE MD
CIA WASHDC

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C O N F I D E N T I A L SECTION 10 OF 17 MEXICO 010043

DEPARTMENT PASS USOAS

E.O. 12356: DECL:OADR

TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL, PINR, PARM, PBTS, SNAR, PINS, PHUM, SOCI, MX

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SUBJECT: THE MEXICAN ARMY -- STILL PASSIVE, CONFIDENTIAL

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PGR IN CHIAPAS, NO ONE HAS GONE SO FAR AS TO ACTUALLY INDICATE A CLOSE WORKING RELATIONSHIP THERE.

CHIAPAS WAS THE CATALYST FOR CHANGE

- 31. IT IS IMPOSSIBLE TO UNDERSTAND THE ROLE THAT THE CHIAPAS INSURGENCY HAS PLAYED IN MEXICAN POLITICAL LIFE WITHOUT UNDERSTANDING THE POSTURE THAT THE MILITARY HAS TAKEN TOWARDS IT. THE MEXICAN ARMY, LIKE THE REST OF MEXICO, CLAIMS TO HAVE BEEN CAUGHT BY SURPRISE JANUARY 1, 1994, WHEN THE INSURGENCY BROKE OUT. (ALTHOUGH THE ARMY WAS AWARE OF AN ONGOING INSURGENCY IN CHIAPAS, IT CLAIMS TO HAVE BEEN UNAWARE THAT THE EZLN WOULD MAKE ITS DRAMATIC ACTIONS ON THAT DATE.) IT WAS HUMILIATED BY THE FACT THAT THE PUBLIC VIEWED IT AS UNPREPARED FOR THE INSURGENCY. ITS TROOPS WERE, TO SAY THE LEAST, NOT PREPARED FOR COUNTERINSURGENCY COMBAT.
- 32. TO MAKE MATTERS WORSE, THE NEWSPAPERS WERE SOON FULL OF ALLEGATIONS OF HUMAN RIGHTS ABUSES (SOME, WE BELIEVE, BUT NOT BY ANY MEANS ALL, UNTRUE OR EXAGGERATED) COMMITTED BY THE ARMY. THE ARMY HAD, AND STILL HAS, FEW OR NO FRIENDS IN THE MEDIA TO WHOM IT CAN TURN TO GIVE ITS SIDE OF THE CONFIDENTIAL

CONFIDENTIAL

PAGE 04 MEXICO 10043 10 OF 17 110115Z STORY AND EXPECT A SYMPATHETIC HEARING, AND SO LITTLE "PRO-MILITARY" SPIN DEVELOPED IN THE PRESS OR AMONG A PUBLIC WHICH STILL HAS BITTER MEMORIES OF THE ARMY'S BLOODY ROLE IN PUTTING DOWN STUDENT DEMONSTRATIONS BEFORE THE 1968 MEXICO CITY OLYMPICS, THE SO-CALLED "TLATELOLCO MASSACRE." THE PERCEIVED HUMILIATION GREW WORSE IN THE

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FOLLOWING WEEKS WHEN PRESIDENT SALINAS DECIDED TO TURN TO MEDIATION RATHER THAN TO THE MILITARY AS HIS MEANS TO DEAL WITH THE CONFLICT; THE ARMY VIEWED HIS DECISION AS A SLAP IN THE FACE.

33. BUT THIS PERCEIVED HUMILIATION STEMMING OUT OF CHIAPAS HAS BROUGHT TANGIBLE CHANGES IN THE ARMY. FOR EXAMPLE, THE STINGING CHARGES OF HUMAN RIGHTS ABUSE HAVE LED TO A FAR GREATER CONSCIOUSNESS OF THE IMPORTANCE OF HUMAN RIGHTS AS A PUBLIC ISSUE, AND THE NEED TO INVESTIGATE ALLEGATIONS. THE ORIGINAL HUMAN RIGHTS

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-----C45748 110115Z /38 O 110109Z MAY 95 FM AMEMBASSY MEXICO TO SECSTATE WASHDC IMMEDIATE 4004 AMEMBASSY GUATEMALA AMEMBASSY ROME AMEMBASSY BRASILIA DIRFBI WASHDC FAA WASHDC AMEMBASSY BUENOS AIRES AMEMBASSY BELIZE CINCUSACOM NORFOLK VA USSOUTHCOM QUARRY HTS PM CJCS WASHDC AMEMBASSY SAN SALVADOR NSC WASHDC DIA WASHDC SECNAV WASHDC DEAHQS WASHDC

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DIRNSA FT GEORGE G MEADE MD

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C O N F I D E N T I A L SECTION 11 OF 17 MEXICO 010043

DEPARTMENT PASS USOAS

E.O. 12356: DECL:OADR
TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL,
PINR, PARM, PBTS, SNAR, PINS, PHUM, SOCI, MX
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ALLEGATIONS LED TO THE IMMEDIATE CREATION OF A BUREAU WITH OFFICES ON THE GROUND IN CHIAPAS TO INVESTIGATE, ACCORDING TO PERES TOLEDO, "EVERY SINGLE COMPLAINT, NO MATTER HOW MINOR, AGAINST THE MEXICAN ARMY IN CHIAPAS." HE SAID THAT SOME MINOR

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INFRACTIONS HAVE ACTUALLY BEEN PUNISHED, AND DISCOUNTS MURDER CHARGES IN OCOSINGO AND ELSEWHERE AGAINST MEMBERS OF THE ARMY, SAYING THAT INVESTIGATIONS DID NOT CONFIRM THE ACCUSATIONS. RELIABLE HUMAN RIGHTS ORGANIZATIONS AND OTHERS, WHO CLAIM THAT THEY HAVE THE "MORAL" EVIDENCE, WOULD NOT AGREE WITH HIS ASSESSMENT.

34. PERES TOLEDO CLAIMED, WITHOUT SUPPLYING EVIDENCE, THAT OFFICERS WITH SOME PUBLIC RELATIONS SAVVY ARE NOW FAR MORE LIKELY TO BE PROMOTED ON THAT BASIS THAN BEFORE, AND THE ARMY NOW HAS A PRESS OFFICE (WHICH AN OBSÉRVER SAYS NEVERTHELESS "IS NOT ALLOWED TO SHARE ANY INFORMATION WITH THE PRESS!") THIS ENHANCED ATTENTION TO PUBLIC RELATIONS MAY FINALLY BE PRODUCING TANGIBLE EFFECTS; A RECENT ARMY "CHARM OFFENSIVE" IN CHIAPAS WHICH BEGAN IN FEBRUARY, 1995, HAS BEGUN TO RESULT IN A FEW MAGAZINES AND NEWSPAPERS FEATURING PICTURES OF MILITARY LEADERS IN CHIAPAS HIGHLIGHTING THE ARMY'S PEACEFUL INTENTIONS AND CIVIC ACTION ACTIVITIES IN THE STRIFE-TORN STATE.

35. ANOTHER TANGIBLE CHANGE IN THE ARMY STEMMING CONFIDENTIAL

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PAGE 04 MEXICO 10043 11 OF 17 110115Z FROM CHIAPAS IS THE CREATION OF COUNTERINSURGENCY UNITS. IN MANY WAYS, THE MEXICAN ARMY IN MODERN TIMES HAS FUNCTIONED MORE AS A HIGHLY DISCIPLINED POLICE AND RESCUE SQUAD, COMBATTING NARCOTICS TRAFFICKING AND PROVIDING MEDICAL ASSISTANCE AND EMERGENCY RESCUE FACILITIES, THAN AS A COMBAT FORCE. THESE NEW UNITS MAKE THE ARMY MORE CAPABLE OF ADDRESSING CONFLICTS SUCH AS THE ONE IN CHIAPAS, THE ONLY SORT MODERN-DAY MEXICO IS LIKELY TO FACE WITHIN ITS BORDERS. BUT OBSERVERS SAY THAT, SO FAR, THESE UNITS HAVE NOT LIVED UP TO EXPECTATIONS. THEY WERE DESIGNED AS SPECIAL OPERATIONS UNITS, BUT HAVE, TO DATE, RECEIVED NO SPECIAL OPERATIONS TRAINING.

36. A GREAT FEAR OF THE GOM IS THAT THE ARMED MOVEMENT IN CHIAPAS WOULD SPREAD TO OTHER SOUTHERN STATES POPULATED LARGELY BY INDIGENOUS PEOPLES, SUCH AS TABASCO AND OAXACA (OR EVEN AS FAR AS

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O 110109Z MAY 95

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 4005

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

NSC WASHDC

DIA WASHDC

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CMC WASHDC//CMC//

CINCFORSCOM FT MCPHERSON GA//FCJ2//

JCS WASHDC//J2//

ALL USCONS MEXICO

AMEMBASSY PARIS

WHITEHOUSE WASHDC

AMEMBASSY BOGOTA

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AMEMBASSY LONDON
DOD WASHDC
AMEMBASSY MADRID
USUN NEW YORK
AMEMBASSY OTTAWA
USMISSION USNATO
COGARD INTELCOORDCEN WASHDC
DOJ WASHDC
SECDEF WASHDC
AMEMBASSY TOKYO
ONI SUITLAND MD//JJJ//
AMEMBASSY SANTIAGO
OSAF WASHDC//IAL//
AMEMBASSY MOSCOW
AMEMBASSY CARACAS

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PUEBLA, VERACRUZ AND GUERRERO), ONE OF THE ORIGINAL STATED GOALS OF THE LEADERS OF THE EZLN. REMINDED OF THAT POSSIBILITY, PERES TOLEDO REPLIED FORCEFULLY THAT THE UNITS WERE PERMANENT AND WOULD NOT BE DISBANDED AFTER THE CHIAPAS DISPUTE HAD BEEN SETTLED.

37. ZEDILLO'S TEMPORARY USE OF THE ARMY TO STEM THE INSURGENCY WITH PGR ARREST WARRANTS AND MILITARY ACTION FOLLOWING THE DISCOVERY OF ARMS CACHES WAS A TONIC TO THAT SIGNIFICANT PORTION OF THE ARMY THAT WANTED TO ADDRESS ITS EARLIER HUMILIATION BY A SUCCESSFUL COUNTERINSURGENCY ACTION. ALTHOUGH ZEDILLO HAS MADE IT CLEAR HE WILL NOT RELY ON THE ARMY TO SOLVE A CONFLICT WHICH CAN ONLY BE SUCCESSFULLY SOLVED THROUGH MEDIATION, THE ARMY HAS NOW SHOWN THE MEXICAN PUBLIC AND GOVERNMENT THAT IT COULD REGAIN REBEL

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TERRITORY QUICKLY AND EFFICIENTLY, WITH FEW CONFRONTATIONS. ACADEMIC OBSERVERS HAVE SUGGESTED TO US THAT THIS CHANCE FOR THE ARMY TO RECOUP ITS LOST HONOR MAY GO A LONG WAY IN ENSURING ITS CONTINUED LOYALTY TO ZEDILLO'S GOVERNMENT.

POSSIBLE MILITARY ROLE IF MASS INSTABILITY OCCURS

38. BY NOW, WE HAVE BECOME ACCUSTOMED TO CONFIDENTIAL

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PAGE 04 MEXICO 10043 12 OF 17 110115Z OCCASIONAL PIECES IN U.S. NEWSPAPERS HINTING THAT SOMEHOW INSTABILITY COULD LEAD TO SOME FORM OF MILITARY INTERVENTION IN MEXICO'S CIVILIAN GOVERNMENT. THESE SCENARIOS STRIKE US AS FARFETCHED, TO SAY THE LEAST. OFTEN, FRANKLY, THESE ARTICLES SEEM TO SERVE AS A SORT OF JOURNALISTIC SNAKE-BITE MEDICINE TO COMPENSATE FOR LACK OF HARD KNOWLEDGE, IN WHICH OVEREAGER REPORTERS PUT THE MOST SENSATIONAL GLOSS ON THE HYPOTHESES OF ACADEMICS OR ATTENTION-SEEKING RUMORS ON MEXICO CITY'S "INSIDE-THE-PERIFERICO" COCKTAIL CIRCUIT. WHAT MAKES THESE OCCASIONAL JOURNALISTIC AND OTHER SUPPOSITIONS MOST QUESTIONABLE IS THAT NO ONE IN MEXICO, OUTSIDE OF THE MILITARY ITSELF, ENJOYS MUCH (OR ANY) ACCESS TO THE INNER WORKINGS OF MEXICAN MILITARY. JOURNALISTS IN PARTICULAR (MEXICAN OR FOREIGN) ARE ANATHEMA TO THOSE WHO RUN MEXICAN DEFENSE. WE IMAGINE THAT IGNORANCE OF THE FACT THAT THE

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O 110109Z MAY 95
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 4006
AMEMBASSY GUATEMALA
AMEMBASSY ROME
AMEMBASSY BRASILIA
DIRFBI WASHDC
FAA WASHDC
AMEMBASSY BUENOS AIRES
AMEMBASSY BELIZE
CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

NSC WASHDC

DIA WASHDC

SECNAV WASHDC

DEAHQS WASHDC

DIRNSA FT GEORGE G MEADE MD

CIA WASHDC

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CMC WASHDC//CMC//

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JCS WASHDC//J2//

ALL USCONS MEXICO

AMEMBASSY PARIS

WHITEHOUSE WASHDC

AMEMBASSY BOGOTA

AMEMBASSY LONDON

DOD WASHDC

AMEMBASSY MADRID

USUN NEW YORK

AMEMBASSY OTTAWA

USMISSION USNATO

COGARD INTELCOORDCEN WASHDC

DOJ WASHDC

SECDEF WASHDC

AMEMBASSY TOKYO

ONI SUITLAND MD//JJJ//

AMEMBASSY SANTIAGO

OSAF WASHDC//IAL//

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AMEMBASSY MOSCOW AMEMBASSY CARACAS

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MEXICAN ARMY IS NOT LIKE THAT OF ANY OTHER LATIN AMERICAN ARMY CAN ACCOUNT FOR SOME OF THE WILD SPECULATION PUT FORWARD BY FOREIGN JOURNALISTS, AS WELL.

39. WHILE DISMISSING THESE SORTS OF HIGHLY-SYNTHETIC JOURNALISTIC EFFORTS, IT IS IMPORTANT TO RECOGNIZE THAT BY THE MEXICAN MILITARY'S VERY OPACITY, THE POSSIBILITY OF MILITARY INTERVENTION IN CIVILIAN MATTERS UNDER THE RIGHT EMERGENCY CIRCUMSTANCES ACQUIRES SOME SMALL SHREDS OF POSSIBILITY FOR WANT OF ANY INFORMATION TO THE CONTRARY.

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O 110109Z MAY 95

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 4007

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

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AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

NSC WASHDC

DIA WASHDC

SECNAY WASHDC

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JCS WASHDC//J2//

ALL USCONS MEXICO

AMEMBASSY PARIS

WHITEHOUSE WASHDC

AMEMBASSY BOGOTA

AMEMBASSY LONDON ·

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AMEMBASSY MADRID

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DOJ WASHDC

SECDEF WASHDC

AMEMBASSY TOKYO

ONI SUITLAND MD//JJJ//

AMEMBASSY SANTIAGO

OSAF WASHDC//IAL//

AMEMBASSY MOSCOW

AMEMBASSY CARACAS

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TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL, PINR, PARM, PBTS, SNAR, PINS, PHUM, SOCI, MX SUBJECT: THE MEXICAN ARMY -- STILL PASSIVE.

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43. IT IS INTERESTING TO OBSERVE THAT THE CONFIDENTIAL

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MILITARY AND ZEDILLO ADMINISTRATION THEMSELVES
HAVE BEEN AT PAINS TO STRESS PUBLICLY THE ARMY'S
CONTINUING LOYALTY. OBSERVERS POINT TO AN UNUSUAL
SPEECH GIVEN BY ZEDILLO'S SECRETARY OF DEFENSE
CERVANTES AT MILITARY LOYALTY DAY AT THE BEGINNING
OF FEBRUARY. CERVANTES STRESSED THE ARMY'S STRONG
AND PERMANENT COMMITMENT TO REMAIN WITHIN ITS
HISTORIC ROLE AND REITERATED ITS SUPPORT FOR
MEXICO'S CONSTITUTION AND PRESIDENT. THIS WAS A
FAR CRY FROM LAST YEAR'S SPEECH, IN WHICH RIVIELLO

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LAMBASTED SALINAS TO HIS FACE FOR NOT SQUELCHING CRITICISMS OF THE ARMY FOR ITS ROLE IN CHIAPAS. (ZEDILLO IS ALSO FELT TO BE UNPOPULAR WITH THE RANK AND FILE DUE TO HIS ACTION AS EDUCATION SECRETARY DURING THE SALINAS ADMINISTRATION PLACING THE BLAME IN REVISED TEXTBOOKS ON THE 1968 "TLATELOLCO MASSACRE" ON THE ARMY. THIS "BLACK MARK", HOWEVER, MAY HAVE BEEN COMPENSATED FOR BY ZEDILLO'S LATER WORK AS BUDGET DIRECTOR, WHEN HE

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O 110109Z MAY 95

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 4008

AMEMBASSY GUATEMALA

AMEMBASSY ROME

AMEMBASSY BRASILIA

DIRFBI WASHDC

FAA WASHDC

AMEMBASSY BUENOS AIRES

AMEMBASSY BELIZE

CINCUSACOM NORFOLK VA

USSOUTHCOM QUARRY HTS PM

CJCS WASHDC

AMEMBASSY SAN SALVADOR

NSC WASHDC

DIA WASHDC

SECNAV WASHDC

DEAHQS WASHDC

DIRNSA FT GEORGE G MEADE MD

CIA WASHDC

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ALL USCONS MEXICO

AMEMBASSY PARIS

WHITEHOUSE WASHDC

AMEMBASSY BOGOTA

AMEMBASSY LONDON

DOD WASHDC

AMEMBASSY MADRID

USUN NEW YORK

AMEMBASSY OTTAWA

USMISSION USNATO

COGARD INTELCOORDCEN WASHDC

DOJ WASHDC

SECDEF WASHDC

AMEMBASSY TOKYO

ONI SUITLAND MD//JJJ//

AMEMBASSY SANTIAGO

OSAF WASHDC//IAL//

AMEMBASSY MOSCOW

AMEMBASSY CARACAS

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MAINTAINED ARMY SPENDING LEVELS, AND BY A STINT WITH BANEJERCITO (THE ARMY'S CREDIT UNION), WHICH HE HELPED TO MODERNIZE AND PUT ON A SOUND FINANCIAL FOOTING.) CERVANTES IS FIERCELY LOYAL TO ZEDILLO BY ALL ACCOUNTS, AND IS SAID TO STRESS THIS LOYALTY REPEATEDLY TO THE RANK AND FILE.

44. AS A FURTHER ILLUSTRATION, POLOFF WAS STRUCK

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BY THE CONCLUSION OF HIS MEETING WITH PERES TOLEDO. PERES TOLEDO WAS GIVING A THOUGHTFUL ANSWER TO A QUESTION ABOUT WAYS IN WHICH THE ARMY HAD CHANGED IN THE LAST TEN YEARS. THIS LED TO A DISCUSSION OF THE NEED TO MODERNIZE MEXICAN EQUIPMENT. THEN, SUDDENLY, THE FOLLOWING THOUGHT, OUT OF NOWHERE, EXPRESSED SOTTO VOCE, WELL-REHEARSED AND IN FULL THROAT: "...BUT ONE THING WILL NEVER CHANGE. THAT IS THE MEXICAN ARMY'S TOTAL LOYALTY TO CIVILIAN CONTROL AND SEPARATION FROM POLITICS! WE WILL NEVER VENTURE BEYOND OUR CONSTITUTIONAL ROLE OF COMPLETE OBEDIENCE TO THE POLITICAL INSTITUTIONS OF THIS COUNTRY." WHETHER PERES TOLEDO WAS SPEAKING WITH AUTHORITY (PROBABLY NOT -- ONE STAR BRIGADIER GENERALS IN MEXICO COMMAND BATTALIONS, THE RESPONSIBILITY OF LIEUTENANT COLONELS IN THE U.S.) OR JUST REPEATING THE PARTY LINE, IT WAS FASCINATING THAT AN OFFICIAL REPRESENTATIVE OF THE ARMY WOULD HAVE FELT THE NEED TO EXPRESS SUCH SENTIMENTS SPONTANEOUSLY TO A U.S. DIPLOMATIC CONFIDENTIAL

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- 45. OBSERVERS SPECULATE ON ANOTHER EVENT THAT COULD CONCEIVABLY CHALLENGE THE ARMY'S LOYALTY TO CIVIL AUTHORITY REPLACING THE SECRETARY OF DEFENSE (ALWAYS A GENERAL) WITH A CIVILIAN, AN IDEA DISCUSSED EVEN IN MILITARY CIRCLES IN THE LAST YEARS OF THE SALINAS ADMINISTRATION. THE OFFICE HAS ALWAYS BEEN HELD BY A HIGH-RANKING ARMY OFFICIAL. AT TIMES, CIVILIAN LEADERS HAVE SUGGESTED THAT DEFENSE MIGHT BE HEADED BY A CIVILIAN (AS IN THE UNITED STATES) WITH A SECRETARY OF THE ARMY AND SECRETARY OF THE NAVY REPORTING TO THE DEFENSE SECRETARY.
- 46. IN MEXICO'S YOUTHFUL POLITICAL WORLD, WHERE CABINET MEMBERS ARE FREQUENTLY IN THEIR 30'S OR EARLY FORTIES, THIS WOULD MEAN LEADERSHIP OF THE ARMY'S POTENT GERONTOCRACY WITH A MAN ABOUT HALF

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C O N F I D E N T I A L SECTION 16 OF 17 MEXICO 010043

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TAGS: PGOV, MARR, MCAP, KPRP, MASS, MOPS, PREL,
PINR, PARM, PBTS, SNAR, PINS, PHUM, SOCI, MX
SUBJECT: THE MEXICAN ARMY -- STILL PASSIVE,
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THE AGE OF MOST GENERALS. MANY FEEL THAT A PRESIDENT WHO ATTEMPTED SUCH A "REFORM" OF THE DEFENSE STRUCTURE WITHOUT THE FULL SUPPORT OF THE ARMY'S HIERARCHY WOULD BE RISKING SOMETHING MUCH STRONGER THAN BACKDOOR MUTTERING.

COMMENT

- 47. WE PRESENT THIS PORTRAIT OF THE MEXICAN ARMY TODAY TO GIVE WASHINGTON READERS SOME INSIGHTS INTO A LARGELY CLOSED INSTITUTION. WE HOPE FOR CLOSER U.S.-GOM POLITICAL-MILITARY COOPERATION, AS WELL AS CLOSER RELATIONS BETWEEN OUR MILITARY AND THE MEXICAN ARMY. BUT WE BELIEVE WASHINGTON SHOULD KNOW WHAT WE ARE FACING WHEN WE PURSUE IMPROVED RELATIONS.
- 48. IN PARTICULAR, WE WANT READERS TO CONTINUE TO BE AWARE OF THE LACK OF ACCESSIBILITY OF ARMY OFFICIALS TO USG REPRESENTATIVES IN MEXICO,

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WHETHER CIVILIAN OR MILITARY. POLOFF'S VISITS TO THE DEFENSE MINISTRY REQUIRED THE CAREFUL INTERVENTION OF EMBASSY WHOSE OWN OFFICE MUST PERSEVERE TO OBTAIN SUCH OCCASIONAL CONTACTS AND WHICH FACES FREQUENT DISAPPOINTMENT DUE TO ARMY POLICY FROWNING ON PRACTICALLY ANY

CONTACTS, DIPLOMATIC OR SOCIAL, WITH U.S. OFFICIALS.

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49. WE ALSO WISH TO PUT THE OCCASIONAL PRESS ACCOUNTS OF POSSIBLE MILITARY INTERVENTION IN THE MEXICAN POLITICAL WORLD INTO THE PROPER PERSPECTIVE -- HIGHLY UNLIKELY, IN OUR OPINION, BUT DIFFICULT TO KNOW FOR SURE, AGAIN BECAUSE OF THE CLOSED NATURE OF THE INSTITUTION.

THE THREE MAIN INSTRUMENTS THAT WE SEE IN THE SHORT TERM THAT COULD HELP BUILD CIVILIAN/MILITARY. RELATIONS WITHIN THE GOM AND OPEN THE DOOR TO MORE U.S./MEXICO MILITARY-TO-MILITARY CONTACTS ARE: (1) A MORE FLEXIBLE POLICY ON MILITARY SALES TO MEXICO IN THE WAKE OF REDUCED TENSIONS IN CHIAPAS AND IMPROVED MILITARY HUMAN RIGHTS BEHAVIOR; (2) THE INITIATION OF POLITICAL/MILITARY TALKS WITH MEXICO PROPOSED SEPTEL; AND (3) THE PARTICIPATION OF MEXICO IN THE JULY 22-24 DEFENSE MINISTERIAL OF THE AMERICAS TO BE HELD IN WILLIAMSBURG, VIRGINIA.

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	OIC-02	OIG-04	OMB-01	PA-01	PM-00	PRS-01	P-01
	SP-00	SSO-00	SS-00	TRSE-00	T-00	USIE-00	DTC-01
	FMP-00	SNIS-00	NISC-01	SSD-01	PMB-00	DRL-09	G-00

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TO REACH THESE GOALS, WE WILL NEED TO DEAL WITH THE TRADITIONAL MEXICAN POLICY OF NON-INTERVENTION WHICH MAKES FOREIGN MINISTRY AND MILITARY ESTABLISHMENT ALIKE OPPOSED AT THIS TIME TO ANY FORM OF JOINT HEMISPHERIC DEFENSE FORCE OR OTHER MULTILATERAL HEMISPHERIC MILITARY INSTITUTION; WE MUST RECOGNIZE THAT, ON THESE ISSUES, THE MEXICAN MILITARY REMAINS AN EXTREMELY CONSERVATIVE INSTITUTION WHICH LOOKS SKEPTICALLY ON ISSUES OF INTERNATIONAL COOPERATION. HOWEVER, WE REMAIN OPTIMISTIC OF THE POSSIBILITIES OF SUCCESS IN PERSUADING OUR MEXICAN MILITARY (AND CIVILIAN) COUNTERPARTS OF THE WISDOM OF CLOSER CONTACTS WITH THE U.S. BILATERALLY AND OTHER HEMISPHERIC PARTNERS IN MULTINATIONAL FORA. COMMENT.

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MEXICO COUNTERNARCOTICS SCORE CARD JANUARY 1996

Mexican authorities captured on January 14 one of the top Mexican drug-trafficking kingpins, Juan Garcia Abrego. AG Reno had added Garcia Abrego to the FBI's list of the most wanted in March 1995. The GOM fully orchestrated the arrest operation in a highly skilled and professional manner, according to DEA. DEA's role was limited to the provision of some initial intelligence. On January 15, the GOM expelled Garcia Abrego to the U.S., and he is now awaiting trial in Houston.

In 1995, Mexico arrested several other major narcotraffickers including: Hector Luis Palma, the number four Mexican trafficker, Jose Adolfo De La Garza-Robles (a principle contact between the Garcia Abrego organization and Colombian traffickers) and Jose Luis Sosa, a Garcia Abrego organization member who coordinated narcotics-laden flights into Mexico from Guatemala and Colombia. Humberto Garcia Abrego, brother of Juan Garcia Abrego, received a five-year sentence for money laundering.

Seizures of marijuana were up by 24%, and over 40% more acreage of illicit crops was eradicated in 1995. Cocaine seizures remained unchanged from 1994 levels at 22.1 MTs.

- o In November 1995, the Mexican Congress enacted modifications to its fiscal code to deter money laundering. In addition, the GOM has introduced legislation that would fully criminalize money laundering, provide for modern investigative law enforcement techniques and impose controls on certain chemical precursors. The Mexican Congress is expected to take action on the second legislative package during the first half of 1996.
- o President Zedillo has expanded the role of the military in the fight against drug traffickers as a way to deal with corruption in the police organizations. The military participated in the successful operation that resulted in the arrest of Hector Luis Palma and military officers have been used to replace the federal judicial police in key locations.
- o Attorney General Lozano is confronting corruption. He restructured the PGR within his first nine months in office. He has welcomed the newly expanded role of the Mexican military in the fight against drug trafficking. Lozano is vowing to stay the course to rid the system of corruption, but it will take years to accomplish this task.

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Mexico has long been a major producer of, and transit country for, illicit drugs entering the United States. But, new trends are cause for serious concern. Mexican traffickers who previously assisted Colombian traffickers to move cocaine shipments through Mexico (up to 75 percent of U.S.-bound loads) are now purchasing multi-ton quantities of cocaine directly from producers for distribution through their own expanding U.S. networks. They also dominate the growing methamphetamine trade in the U.S. International criminal organizations increasingly look to Mexico's large, and largely-uncontrolled financial sector as a venue for laundering vast sums of money from their illegal activities. Corruption is a serious problem in Mexico and remains one of President Zedillo's major challenges.

Zedillo pledged to intensify the counter-drug campaign, dismantle the drug cartels, and root out narcotics-related However, the Government of Mexico (GOM) had only corruption. limited success in 1995. Money laundering is still not a criminal offense, thus rendering Mexico in less-than-full compliance with the 1900 UN Convention. Measurable performance indicators; such as seizures and arrests, remained at or below 1994 levels (and far below 1992-3 levels). Illicit crop eradication results improved, due largely to increased military action. At the operational level, the economic crisis further aggravated chronic shortages of resources and equipment and the efforts of GOM personnel were further hampered by continued lack of appropriate legal tools and training to combat modern organized crime. The GOM had some success against the Gulf Cartel, most notably the January 1996 arrest of Juan Garcia Abrego and earlier arrests of 11 members of the cartel as well as narcotrafficker Hector Palma Salazar. However, the operations of the country's most powerful cartels, such as the Carrillo Fuentes and Arrellano Felix organizations, suffered no major disruptions. As a remedial step, Zedillo put the Mexican Army in charge of a number of sensitive operations due to concern about corruption within some police units. The situation in Chihuahua was so severe that he placed the entire anti-drug effort under Army control.

The Zedillo Administration spent much of its first year preparing the legal foundation for confronting organized crime, improving the administration of justice and increasing public sector accountability. However, a key organized crime package was not passed by the Mexican Congress before going out of session for 1995. Many of the Mexican Attorney General's Office (PGR) resources were focused on the ongoing investigations into the 1994 assassinations of presidential

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candidata Denaido Colosio and ruling party official Francisco Ruiz Messieu, and on corellary corruption investigations. A key development was the orrest of Raul Salinus, brother of former President Carlos Salinus and a senior official in the Salinus Administration; Mexican investigators are now pursuing drug-related charges as well.

The U.S. and Mexico cooperated well on drug law enforcement in 1995, however, U.S. officials experienced less than full cooperation from many of their Mexican counterparts, particularly on criminal investigations. Corruption concerns continued to inhibit the partnership. The two governments signed a Financial Information Exchange Agreement (FIEA) and an Asset Sharing Agreement to facilitate cooperation in combatting money laundering and other financial crimes. Bilateral cooperation against drug traffickers and their operations resulted in the interdiction of multi-ton cocaine shipments and important arrests. Multilaterally, the two governments also worked with the Central American governments on two coordinated regional anti-drug operations. The USG provided training and technical advice to personnel of the PGR, the National Institute to Combat Drugs (INCD), and the Mexican Tarmed forces, which contributed to operational effectiveness, and to cooperation.

The arrest and expulsion to the U.S. of the notorious trafficker Juan Garcia Abrego in January 1996, while not directly relevant to this certification review, was a major advance and is viewed by the USG as a basis for optimism that U.S./Mexican bilateral cooperation could improve. It is a significant step forward in breaking the illusion of impunity generated by the drug kingpins of the so-called "Mexican Federation" and, if pursued vigorously in 1996, could constitute a real beginning to the GOM's campaign to reverse the expansion of the northern border drug cartels.

The success of Mexico's national anti-drug effort is critical to the defense of the United States from the international drug treat. In addition, Mexico and the U.S. are economic partners with a vast array of mutual interests, from commercial to ecological. As neighbors sharing over 2000 miles of border, trading partners with commerce approaching \$100 billion annually, and key allies, it is in the vital national interests of the United States that Mexico's counternarcotics performance, despite its failings, be certified for 1995. Given the very positive improvements in early 1996, the USG will review the situation again in mid-1996 for possible restoration of certification.

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Cooperation Between Mexico and Customs

- Since 1990, Mexico has allowed U.S. Customs P-3 aircraft to overfly the country in pursuit of suspect drug trafficking aircraft.
- In 1991, The Attorney General of Mexico requested Citation interceptor training from the U.S. Customs Aviation Program as a prelude to beginning an air interdiction program of their own. Customs continues to provide a variety of interdiction training programs to the Mexican interdiction forces. Thirty pilots were trained in Fiscal Year 1995.
- In 1992, the Government of Mexico (GOM) received delivery of 2 Citation aircraft for their program. The Procuraduria General de la Republica (PGR) pilots have been 95 percent effective in responding to targets entering Mexican airspace from South America.
- In April 1995, the GOM requested intercept training between the Customs P-3 AEW aircraft and its military F-5 fighter aircraft to engage the fast moving large aircraft threat into Mexico.
- Mexico has approved blanket overflight permission for Customs Citation aircraft during a 15-day special operation planned for March 1996 to assist the GOM in prosecuting the suspect aircraft landing just short of the U.S. border.
- President Zedillo and Attorney General Lozano have committed to raising the level of professionalism within the ranks of the military and law enforcement units assigned to counterdrug missions.
- Southwest Border counterdrug programs are currently being developed by the Customs Service, Drug Enforcement Administration, and the GOM. These programs will enhance the ability of both Mexico and the United States to address corruption as one element of the total problem hindering law enforcement efforts in stemming narcotics from entering the southwestern borders of the United States.
- Interdiction and investigative operations have been initiated to complement the Department of Justice Southwest Border Initiative.
- Revised legislative efforts by the GOM would enhance cash transaction reporting requirements and provide for criminal sanctions against money laundering activities to include non- arug "specified unlawful activities" associated with graud, thaft, and corrupt practices.

- Mexico has received assistance from and collaborated closely with the Customs Service to better track flights suspected of containing drugs.
- The Customs Service has provided interdiction training in Mexico for pilots of the Office of the Attorney General of Mexico and apprehension crews of the Mexican Federal Judicial Police.
- A narcotics fugitive and major Mexican narcotics trafficker,
 Juan Garcia ABREGO was arrested by the GOM and expelled to the United States for prosecution.